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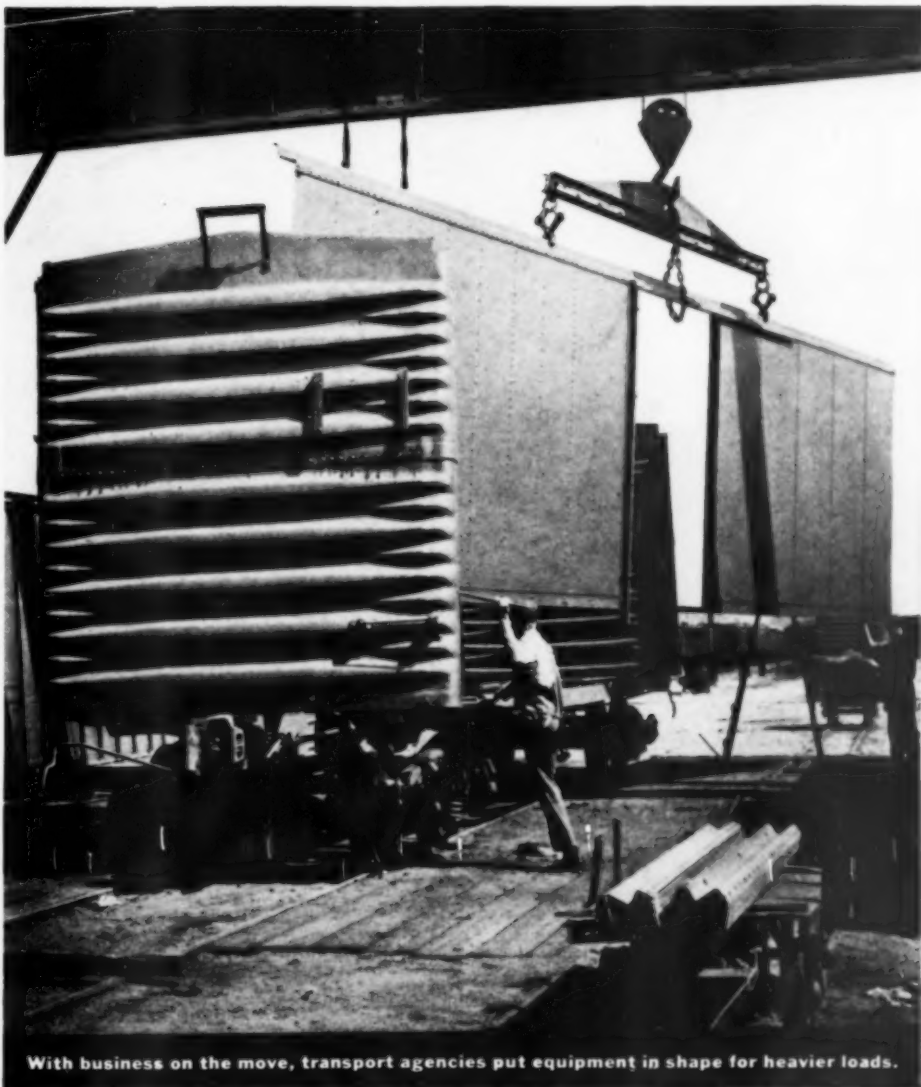
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STG. ADM.

# BUSINESS WEEK

AUG 12 1940



With business on the move, transport agencies put equipment in shape for heavier loads.

INESS  
CATOR

**There's nothing the matter  
with America  
that **WORK** won't cure**



**A**merica has been having a nightmare.  
Let's wake up and get back to work.

This great nation can and will make itself secure against any military or economic attack. Not with talk or vague planning but by good old-fashioned hard work *now* by every man who is an honest American.

We're practicing what we preach by working three full 8-hour shifts a day, six days a week. And we are building three plant additions to turn out more Warner & Swasey Turret Lathes for other Americans to use—those Americans who believe with us that well-planned *hard work* will keep this nation free.

**WARNER  
&  
SWASEY**  
Turret Lathes  
Cleveland

**YOU CAN TURN IT  
BETTER, FASTER, FOR LESS . . .  
WITH A WARNER & SWASEY**

# Can America be conquered from within?



★ **YOU** might ask a thousand people about Hitler's program for the United States, and not a handful would know.

Yet the Nazi Party has published its intent. Spokesmen for Germany have patiently pointed out the weakness by which they expect America to destroy its Democracy.

Does Hitler count on Bund leaders and their followers? On crackpots with their cellar-made bombs?

He knows an easier way. He believes his real ally in America is *ignorance*. Indifference. Apathy.

Ignorance, not just of Nazi aims in this hemisphere, but ignorance of the course we ourselves are steering.

To fight that kind of ignorance, The Saturday

Evening Post brings into the open issues which the American people must decide for themselves. Recently, for example, a foreign correspondent, in a cable from Paris, told exactly how the Nazis expect us to destroy ourselves: the easiest victory any nation ever won over another.

Week after week, the Post turns the spotlight on the issues that are shaping America's future. By lighting up the dark corners of the national scene...by exposing to public view the methods and motives of heroes and villains alike...the Post is helping to keep America honestly and fearlessly informed. Perhaps that is one reason why the Post today is getting more attention from more people than at any other time in the magazine's history.

★ THE SATURDAY EVENING

# POST

... *America between two covers*

# Insoluble ?

... that may be just  
the paper we want



"Yes, sir, I soaked this paper overnight, and water didn't hurt it a bit! It resists the penetration of grease, too! Looks like just what we've been looking for."

Patapar Vegetable Parchment is unusual. Soak it all you want, or smear it with grease. And when you have finished you'll find that Patapar is strong and firm. Furthermore, it is tasteless and odorless.

Many industries are using Patapar for doing jobs that ordinary papers can't handle. How do they use it? Here are some examples:



To growers and shippers of vegetables, Patapar provides a distinctive wrapper. It gives protection, and will not go to pieces when wet.



The dairy industry counts heavily on Patapar—for wrapping butter, cheese, ice cream, and as a gasket under lids of milk cans to prevent leakage.



Patapar's grease-resisting qualities are mighty helpful when it comes to wrapping shortening and other fatty products.



Packaging sausage is no job for ordinary papers—too much moisture and grease. But Patapar handles it perfectly.

If you are interested in testing Patapar for commercial use, write us on your company letterhead. Please describe the use you have in mind so we can send sample sheets of the size, weight and finish best suited for your purpose.

## Paterson Parchment Paper Company

Bristol, Pennsylvania  
West Coast Plant: 240 Bryant St., San Francisco  
Branch Offices: New York, Chicago  
Headquarters for  
Genuine Vegetable Parchment since 1885

# Patapar

Reg. U. S. Pat. Off. & For. Countries

# Vegetable

# Parchment

## NEW BUSINESS

### The Cats

If you come home from the office some night and find the little woman crawling around the house on all fours, it may not be due to anything more serious than reading *Vogue*.

Maybe it's because there isn't anything to say about the latest Paris fashions these days, but the fact is that the *Vogue* girls are going in for some pretty peculiar editorial features. Take the Aug. 1 issue, which has a couple of pages of action photographs showing a young woman dressed up in a cat costume—tail and all—making like a cat for the camera. Says the accompanying text:

"Admire cats. Cats grow good figures. Cats needn't watch their waist lines. (Imagine—'One mouse or two?' 'Ah, only one, my dear, I'm on a diet.') Cats are lithe, graceful, relaxed, controlled. They move as if they were made of lastex.

"Copy cats—if you'd like a better figure and more grace at managing it. . . . Follow your Persian around. You'll get your workout, if you keep your quirk of humor. You'll get your sleekness and grace, if you persevere. If your cat collapses bonelessly with your slipper, you collapse with the other. If she bends double to tidy up a velvet toe, bend double yourself. If she prowls under the bed, try it. If she goes after the goldfish. . . ."

You get the idea *Vogue* is trying to put across. So, if you come home from the office some night and the icebox is full of Kit-E-Ration and Mama is perched on the mantle, with her back arched, hissing at you—she's only following directions. Probably the best thing to do about it is to swap that *Vogue* subscription for something substantial like *Child Life*.

### Culled From the Ads

PETER CORBYON, New York liquor retailer, announced a sale on a 99¢ gin with the literary name, Gunga Gin.

In *Iron Age*, R. S. Stookis & Sons, Inc., offers some steel sheets—originally ordered for export to Holland—as a "Blitzkrieg Bargain."

In *Broadcasting*, radio station WWL sets literal-minded readers back on their heels by boasting—"When you think of New Orleans you think of Jean Lafitte and his pirate crew and WWL, New Orleans."

And Royal Desserts prays hard for a nationwide rush on Royal Gelatin by running a testimonial by Alice Faye, in all the women's magazines, in which she coyly promises: "You'll be kissed for serving Royal Gelatin Dessert."

### Who Shall Have Music?

THERE'S BEEN a lot in the papers about the war in Europe causing shortages in

the U.S. of such things as perfumes, *pâté de foie gras*, and Polish hams—but there hasn't been any mention of the really critical shortage in clarinet and saxophone reeds.

These reeds come from a reed cane that's grown almost exclusively in the Var Valley in France. The cane is *arundo conax*, grows like an onion, and takes two years to mature. Soft on the inside and hard outside, it's perfect for musical instruments. Experts check over the cane when it is ready and select about 5% to be used for reeds.

Most of the factories making these reeds are in France. The U.S. takes about 85% of their output—or did. One of the producers—Maccaferri—saw the handwriting on the wall last year and came to this country, setting up shop at 1658 Broadway, New York City.

Maccaferri's presence in the U.S. doesn't solve the reed problem by any means though. Maccaferri has the precision machinery necessary for the manufacture of the reeds—but where is the material coming from? None is coming here now. Matter of fact, there may not even be a crop, for the Italians advanced into the Var Valley. Reeds can't be made satisfactorily from plastics or other canes, and *arundo conax* doesn't grow right in this country; the frost kills it. The Department of Agriculture is working on the problem, however.

As though there weren't trouble enough, there's the problem of what to do with the rest of the crop, in case we did grow one. In France, the 95% of the cane that wasn't used to make reeds was absorbed by other industries, some of it was used for baskets, some went to lathe shops, a lot of the tubes were used recently for war camouflage. So, even if *arundo conax* could be grown in the U.S., nobody would try it if he had to throw away 95% of what he grew.

Sounds almost hopeless, doesn't it? We're relying on Maccaferri and American industry and ingenuity, though, to find the answer to the problem. They couldn't stand around and watch Benny Goodman run out of reeds. Could they?

### Keep It Clean

FOR WEEKS, pickets have been doggedly pounding the pavement in front of the Stacy-Trent Hotel in Trenton, New Jersey. Each week their placards got a little grimmer. Last week they blossomed out with a fresh set—present of the hotel management, who thought the new signs might be more in keeping with the standards of the hotel. Much more of this sort of thing and the labor movement will have to hire Emily Post to handle these details.



# WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau) —Aid to Britain is slowly sliding into second place as our own preparation for war becomes the dominant item of political interest. Don't infer from this that Roosevelt has wavered in his belief that helping England is the most effective method of giving the U. S. time. He still believes that—most emphatically—and if you doubt it, look at the posed photograph of Cordell Hull congratulating Gen. Pershing on his radio speech—intended to show where the Administration stands. Bear in mind that Pershing had just insisted that this country should let Britain have fifty World War destroyers, which had been in grease storage until Roosevelt ordered them out last fall.

## British Aid Backfire

POLITICAL EXPEDIENCY is the real reason why our own preparedness is getting first play now. Roosevelt finds he can do practically anything with Congress when it comes to a question of our preparations, whether it be conscription, calling out the National Guard, or giving him blank checks to be used for anything he wants. But the furor which forced abandonment of the sale to Britain of 20 torpedo boats (BW—Jun 29 '40, p. 17) showed there might still be political dynamite in any expansion of aid to the British.

## Playing It Safe

"BILLIONS for fighting here—not one penny for fighting there," is the motto of the isolationists, and Roosevelt is a little afraid of the isolationists. Not that he is afraid they could win any fight he started, but Willkie is showing up too strong in the polls to risk alienating any of their supporters.

## Action on Amortization

RESPONSIBILITY for the slow progress of the defense program rests not on the Defense Commission, not on Congress—but on the President. Congress has bowed to Roosevelt's insistence that arrangements for amortization of new plants needed in the defense program be coupled with excess-profits taxation in one piece of legislation.

After weeks of shilly-shallying, that's still the procedure to be followed, but this week Mr. Knudsen got in touch with the "boss." He was supported by a rash of popular criticism. The effect was electrical. In a suddenly cooperative mood, Secretary Morgenthau called the Congressional tax framers into conference with Knudsen and Secretary of War Stimson.

Business men, loath to accept contracts until assured of the treatment they would receive with reference to amortization of defense costs, now know exactly

what they can expect—and there's some hope also that Congress will act promptly.

## Profits Levy Easier

AS OUTLINED by Jere Cooper, chairman of the House Tax Subcommittee, the tax bill will permit five-year amortization of defense plants, with a retroactive adjustment for amortizing in a shorter period if the emergency ends.

The excess-profits levy on corporations, estimated to raise \$300,000,000 on this year's income and \$500,000,000 when the defense program gains full momentum, may be reckoned by the taxpayer on either (1) the increase in a company's

net income over its average net income during 1936-1939, or (2) the increase in a company's rate of return on its capital over the average rate of return during the same period, a minimum return of 6% being granted on the first \$500,000 of invested capital and 4% above that. The taxpayer naturally chooses the alternative which figures out to the lower tax.

Most corporations—that is, the small ones—will escape the levy by reason of a flat exemption on the first \$5,000 of excess profits; the plan as a whole is more tolerable than expected by reason of the alternatives given the taxpayer.

Repeal of present profit limits on ship and plane contracts will be coupled with the general levy on excess profits. Meanwhile, an Internal Revenue Bureau ruling, retroactive to Sept. 8, will permit contractors, in figuring profits under the Vinson-Trammell Act, to treat as cost all interest up to 4% on working capital and all money borrowed for plant expansion.

## Heat on NLRB Changes

SUPERFICIALLY, the chance of Wagner Act amendments appears to be improving. Hearings scheduled by the Senate Labor Committee will bring the subject into the foreground next week, but there's no evidence of positive intention to press for action. The possibility of enactment can't be entirely ignored, if the session extends six weeks or two months longer, but passage doesn't look likely now.

## Nobody's Seizure Clause

NOBODY WILL ASSUME responsibility for legislation, promptly repealed by the House when "discovered," which empowers the Secretary of the Navy to take over private plants needed for national-defense work. In fact, Congressmen in charge of the Navy speed-up bill steadfastly professed ignorance that the bill included the provision which BUSINESS WEEK previously had brought to the attention of its readers (BW—Jul 6 '40, p. 7).

Everybody seems to have forgotten that similar authority was sought by former Secretary Edison in a bill that was quickly strangled last January (BW—Jan 13 '40, p. 17). To allay fear of abuse of this surreptitiously granted power, the Senate will follow the lead of the House in killing it.

\* Remember: Still on the statute books is Section 120 of the National Defense Act of 1916, which vests authority in the President to commandeer plants "in time of war or when war is imminent."

## Ordnance Plants Projected

THIRTY GOVERNMENT-OWNED Army ordnance plants will be built with \$300,000,000 carried in the pending five-billion dol-

## In the Little Cabinet



When James V. Forrestal was appointed an administrative assistant to the President six weeks ago, it seemed an anomaly in the New Deal—for Forrestal was once president of Dillon, Read & Co., a leading Wall St. investment house. But he has won friends rapidly in the inner circle and actually is very much persona grata. So this week he got a new post—Under Secretary of the Navy, one which Congress authorized the President to fill in time "of national emergency." As Under Secretary, Forrestal is expected to have more to do with broad national defense problems, including the economic angles of blocking attempts at foreign domination in Latin America, than with the strictly administrative features of the Navy Department.



## Kimpak

REG. U.S. PAT. OFF. & REG. IN CANADA

### CREPE WADDING

*protects your product  
dresses your package*



Showing how Angier Chemical Co., Boston, uses KIMPAK to protect its cough emulsions from shipping damage.

■ When your product leaves your plant, it's on its own. That's why wise shippers everywhere are protecting their products, both large and small, from shipping damage with KIMPAK®—the ideal packing material. Lightweight, and flexible, KIMPAK guards against breakage, chipping or chafing... against costly finish or structural damage. Soft, yet resilient, KIMPAK is a safety-cushion and shock absorber... so light and clean it will not scratch even the most delicate finishes.

But KIMPAK does more than guard against shipping damage, for its rich texture and snowy white color dresses up your package—adds a note of distinction that stimulates sales.

For samples of KIMPAK and further information, mail the coupon today.

\* Reg. U. S. and Can. Pat. Off.

### FREE! 1940 PORTFOLIO OF KIMPAK

KIMBERLY-CLARK CORPORATION  
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Address nearest sales office: 8 South Michigan Avenue, Chicago; 122 East 42nd Street, New York City; 510 West Sixth Street, Los Angeles.

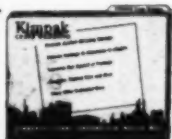
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lar military appropriation. They will be operated under contract by private firms and built to their specifications.

Within these boundaries the area is split up into five "ordnance districts." Intention is that plants will be so located that, together with existing munitions plants, they will provide a complete munitions-production setup in each district. If one district is invaded or bombed, the others will still be able to continue full production. Area A includes northern Indiana and Illinois, Southern Wisconsin and Minnesota, and all of Iowa. Area B includes Ohio, the southwestern part of Pennsylvania, West Virginia, western Virginia, and eastern Kentucky. Area C includes southern Indiana and Illinois, western Kentucky, Missouri, and eastern Kansas. Area D includes western North Carolina, northern Georgia and Alabama, and eastern Tennessee. Area E includes western Tennessee, Arkansas, Oklahoma, and the northern part of Mississippi, Louisiana, and Texas.

### Nitrate Plant Included

BIGGEST OF THE NEW FACTORIES will be two \$20,000,000 smokeless-powder plants and a \$20,000,000 ammonium-nitrate plant for extraction of atmospheric nitrogen (another Muscle Shoals?). Supplying the latter, will be a \$15,000,000 ammonium plant. Seven shell-loading plants will average \$10,000,000 apiece, as will a small arms ammunition plant.

Eight plants for the manufacture of various explosives will cost a total of \$53,500,000. A cotton purification plant will cost \$6,000,000, and three plants for fuse and bag loading will total \$15,500,000. Seven metal-working plants are contemplated: four \$6,000,000 shell-forging plants, two \$7,000,000 aircraft cannon factories, and a \$12,000,000 machine gun factory.

### More Money Needed

A FURTHER \$465,000,000 will be needed later, but not projected for this year; so no appropriation has been asked. Fairly slow progress is being made in utilization of the \$200,000,000 already appropriated under the heading of "expediting production." About \$13,000,000 has been allocated to improvement of existing arsenals. It has been decided to use \$520,000 for an anti-aircraft searchlight plant, but no contract has been approved.

Negotiations are under way with the Hercules Co. for a \$15,000,000 smokeless-powder plant. In addition, \$95,000,000 has been tentatively allocated to aircraft plants and turned over to the Defense Commission, but it is not planned to build any government aircraft plants for the present.

### Volunteer Agencies Enlisted

THE DEFENSE COMMISSION branched out this week to enfold state and local "volunteer" defense agencies mushrooming up

### Aliens May Still Work

YOU NEEDN'T discharge your alien workers: The law passed by Congress in June requiring contractors to get written consent from the War or Navy Departments to employ aliens on secret, confidential, or restricted government orders simply supports a practice which has been in effect for the past eight months with respect to such work and since 1926 with respect to airplanes.

When employers apply for permission to employ aliens, cases in which there is any doubt are referred to the Department of Justice for investigation. Usually, conditional permission is given to employ the persons in the meantime. But be sure that you get permission beforehand. The penalty is fine and/or imprisonment.

over the nation. Frank Bane, executive director of the Council of State Governments and secretary of the Governors' Conference, will head up and organize a Division of State and Local Cooperation, which will act as liaison between the Defense Commission and its home town counterparts. The appointment coincided with Bane's visit to Washington for the governors' session to discuss "fifth column" problems.

### Surplus Milk Program

LOW-COST MILK DISTRIBUTION, following the lead of the surplus-commodity stamp program as a method of moving surpluses to relief families through retail channels, is in operation in Boston, Chicago, and New Orleans.

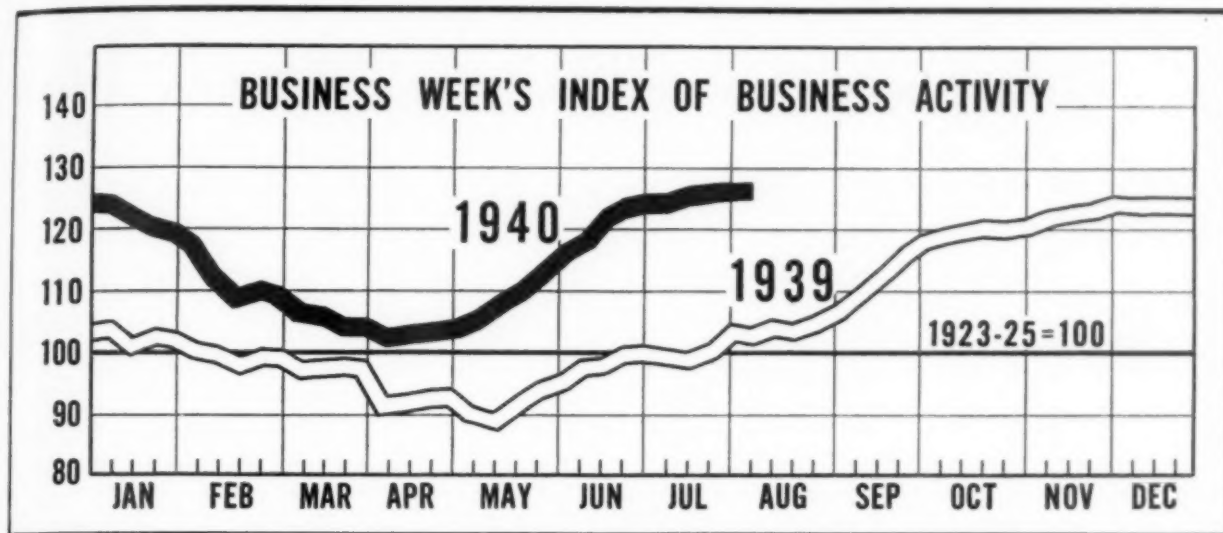
It will become effective in Washington, D. C., Aug. 12, and New York is expected to be listed soon since points of disagreement with Mayor La Guardia are being ironed out.

Milk-marketing agreements throughout the country (there are about 25 of them now) are being written to include this program as fast as revisions are made. Half of them now contain clauses permitting inauguration of relief milk sales at 5¢ and 7¢ a quart.

### P. S.

ANTICIPATING AN APPROPRIATION of \$33,000 requested by the President, the Bureau of Mines expects to send four mining engineers to Peru, Bolivia, Chile, and Argentina to explore reserves of strategic materials in the hope of attracting commercial capital to speedy development. . . . TO BREAK UP the cosmetic industry's practice of restricting the sale of 10¢ size packages to dime stores, the Federal Trade Commission has ruled that distributors must furnish all sizes to all outlets on proportionally equal terms.

## THE FIGURES OF THE WEEK



## THE INDEX.....

Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
*128.2	†127.9	125.9	118.4	104.6

## PRODUCTION

Steel Ingot Operations (% of capacity).....	90.5	90.4	86.4	71.7	60.1
Automobile Production .....	17,373	34,822	51,975	101,240	28,250
Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$16,220	\$17,119	\$11,339	\$8,109	\$8,660
Electric Power Output (million kilowatt-hours).....	2,605	2,601	2,265	2,541	2,325
Crude Oil (daily average, 1,000 bbls.).....	3,494	3,690	3,602	3,489	3,909
Bituminous Coal (daily average, 1,000 tons).....	1,355	†1,308	1,355	1,720	1,236

## TRADE

Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	71	72	76	64	68
All Other Carloadings (daily average, 1,000 cars).....	49	50	49	44	41
Check Payments (outside N. Y. City, millions).....	\$4,060	\$4,255	\$5,272	\$4,343	\$4,412
Money in Circulation (Wednesday series, millions).....	\$7,883	\$7,854	\$7,924	\$7,376	\$7,054
Department Store Sales (change from same week of preceding year).....	+5%	+9%	+5%	+4%	-1%

## PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	151.0	152.3	156.5	159.5	140.8
Iron and Steel Composite (Steel, ton).....	\$37.60	\$37.53	\$37.72	\$37.03	\$35.90
Scrap Steel Composite (Iron Age, ton).....	\$16.17	\$16.17	\$16.71	\$17.08	\$15.42
Copper (electrolytic, Connecticut Valley, lb.).....	11.052c	10.804c	10.835c	11.425c	10.479c
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.71	\$0.68	\$0.72	\$0.95	\$0.67
Sugar (raw, delivered New York, lb.).....	2.64c	2.64c	2.70c	2.80c	2.85c
Cotton (middling ½", ten designated markets, lb.).....	10.01c	10.06c	10.26c	10.42c	9.27c
Wool Tops (New York, lb.).....	\$0.982	\$0.993	\$0.990	\$1.063	\$0.872
Rubber (ribbed smoked sheets, New York, lb.).....	19.82c	20.90c	20.72c	18.84c	16.67c

## FINANCE

Medium-Grade Corporate Bond Yield (30 Baa issues, Moody's).....	4.75%	4.78%	4.84%	4.84%	4.78%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.24%	2.25%	2.29%	2.33%	2.14%
U. S. Treasury 3-to-5 year Note Yield.....	0.58%	0.57%	0.61%	0.48%	0.42%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	½-¾%	½-¾%	½-¾%	½-¾%	½-¾%
Business Failures (Dun & Bradstreet, number).....	271	233	259	285	277

## BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	20,984	20,984	20,510	19,169	17,462
Total Loans and Investments, reporting member banks.....	23,978	23,947	23,586	23,174	22,244
Commercial and Agricultural Loans, reporting member banks.....	4,441	4,462	4,438	4,295	3,887
Securities Loans, reporting member banks.....	893	887	851	1,099	1,181
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	11,875	11,871	11,607	11,291	10,756
Other Securities Held, reporting member banks.....	3,586	3,562	3,517	3,384	3,322
Excess Reserves, all member banks (Wednesday series).....	6,510	6,570	6,810	5,859	4,462
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,484	2,401	2,503	2,803	2,476

## STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	97.7	96.3	94.6	116.9	114.6
20 Railroads, Price Index (Standard Statistics).....	26.9	26.7	26.2	30.6	28.3
20 Utilities, Price Index (Standard Statistics).....	62.3	61.6	61.9	69.7	72.4
90 Stocks, Price Index (Standard Statistics).....	81.3	80.2	79.0	96.1	94.6
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	283	†379	274	493	651

\* Preliminary, week ended August 3rd. † Revised. § Date for "Latest Week" on each series on request.



# A NEW Way of Doing Things

## Saves \$2400 and 5 Weeks of Time

**PROBLEM**—A customer of the Atomoweld Company of Chicago recently required two dies for an improved product design. The question: should he buy two new dies, or could his old dies be revamped? New dies would cost \$2800, and it would require eight weeks to produce them.

**SOLUTION**—After investigation it was found that, by using a General Electric atomic-hydrogen arc welder, the old dies could be rebuilt, with a saving to the customer.

**RESULTS**—The old dies were completely rebuilt in three weeks at a cost of only \$400—a saving of \$2400, besides the saving of time. The built-up area showed the same grain structure and hardness as the rest of the die; i.e., the dies were equal to new ones.

For maximum production in minimum time without sacrifice of quality, make full use of the best and latest standardized electric equipment.

**SUGGESTION**—Have you a production problem for which a satisfactory solution has not been found? New methods and new equipment are constantly being made available that help industry to produce more and better goods at less cost. General Electric engineers are always glad to work with you, with your consulting engineers, or with your machinery manufacturers, to help you achieve greater profits through sound utilization of the latest electric equipment. General Electric, Schenectady, N. Y.

LET'S MAKE EVERY DOLLAR FOR DEFENSE PRODUCE MAXIMUM RESULTS!

**GENERAL**  **ELECTRIC**

600-9



August 10, 1940

## THE BUSINESS OUTLOOK

While business strength still lies mainly in the heavy industries, merchants watch payrolls, expecting flow of money over the retail counters. Steel will be further bolstered by automotive demand.

THE STOCK MARKET settled back again this week into the doldrums; seemingly, last week's advance was not much more than a jiggle. Copper, which similarly raised hopes that maybe speculative confidence was on the rise, also gave up some of its price gain. And yet, there can be no question of the underlying strength of business. Though the heavy goods industries—steel, railroad equipment, construction, and numerous defense lines, like shipbuilding and airplanes—are still carrying the main burden, ultimately consumer goods production is bound to follow through.

Householders have been steadily using up their inventories since the big buying splurge at the outbreak of the war last September (*BW—Jul 27 '40, p14*), and an undercurrent of demand for clothing, shoes, and general textiles is indicated in a rising trend in retail sales. As yet, however, it cannot be said that retailers

are anxious (*Philadelphia Regional Outlook, p. 14*). They are simply careful about not letting their stocks get too low, recognizing that expanding payrolls in the heavy industries sooner or later must find their way over the retail counter.

## Waiting Out the Rallies

The unwillingness of merchants to buy far ahead is readily understandable as a reaction from the scare-days when the war first broke out and there was fear of sky-rocketing prices. But commodity markets subsided after their fierce spurt, and now buyers are inclined to wait market rallies out. Prevailing business policy is to be slightly overstocked rather than understocked, but commodity price indexes make it plain that purchasing agents are not overreaching one another for raw materials.

But tight situations may develop in

## Easing Taxes

A PIECE OF MILDLY INFLATIONARY news came from Washington this week: Congressional tax leaders came to a tentative understanding on an excess-profits tax to yield \$300,000,000 this year, as compared with an original estimate of \$700,000,000. Not only does this mean, of course, a reduction in the effective tax burden on corporations (*BW—Aug 3 '40, p13*) but also it implies an increase in government's deficit spending—or pump-priming. Obviously the less collected in taxes, the larger the amount of the defense program to be paid for by borrowing. Government policy seems directed squarely at furthering the current expansion of business, by expediting the defense amortization bill and easing excess-profits tax schedules.

semi-finished goods, where labor and plant capacity are not elastic. *Iron Age* this week cited the instance of a steel mill that ran low on coking facilities and had to farm out 100,000 tons of coal to a competitor for processing. With the steel ingot rate at 90% of capacity, most major companies are well up to their practical production limits all along the line. Based upon current and indicated levels of consumption, it seems probable that the present rate of output will be with us for some time. Which means that delays in deliveries and shortages may develop. Indeed, both Republic and Bethlehem are making plans to expand their electric furnace capacity in order to turn out special high-quality steels.

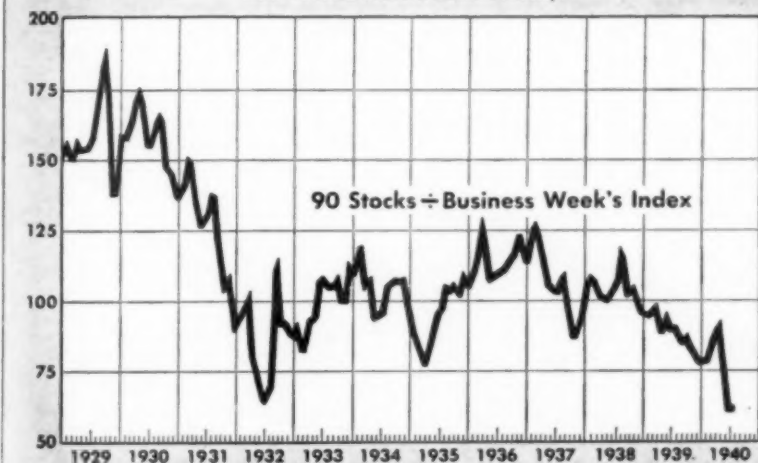
## Defense and Prices

Steel and auto men no longer talk about a price cut on 1941-model requirements. Prices are about 88 a ton higher than they were when motor manufacturers placed their orders for 1940 steel. And now, with demand running well up with supply, automobile manufacturers are not in a position to put on their annual pressure for price concessions. Steel is an industry whose price structure national defense has definitely strengthened.

In a month, auto makers will swing into full production of 1941 cars, putting the steel producers to a real test. Most schedules call for a high rate of assem-

## IN THE OUTLOOK — SPECULATIVE CONFIDENCE

(Ratio of Stock Prices to Business Activity)



Data: Standard Statistics Co.

© BUSINESS WEEK

Clearly the stock market is not enthusiastic about the current high level of business activity. Whereas the *BUSINESS WEEK* Index has toilfully climbed up from its 1938 low to a peak above 1937, stock prices are at their lowest level since June, 1938.

Investors and speculators hold the business rise so cheaply that the Index of Speculative Confidence is lower now than at any time since 1929—indeed, lower than at any time since 1923, if any one wants to go that far back (editorial, page 56).

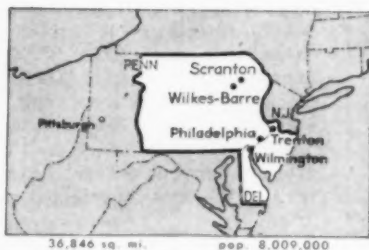
blies in the first six months of the model year and demands for deliveries will be concentrated. Motor manufacturers want to get ahead on normal output so as to be free for government orders. The outlook is for production of not less than 4,000,000 cars in the 1941 calendar year as against an estimated 4,300,000 this

year. This would mark the third good year in a row for the industry.

Increasing demands for steel, moreover, are coming from construction. *Engineering News-Record's* contract awards surpassed last year's totals for the fifth successive week as the result of sharp expansion in government work let.

And railroad equipment companies, both on general and defense business, are taking a steadily rising quantity of steel. To July 31, for instance, freight cars ordered amounted to 16,431, as against 9,077 in the first seven months of 1939. Thus the heavy industries are not wanting in backlogs.

## The Regional Business Outlook



**PHILADELPHIA**—In this Reserve district it's the same story of the last few months, only more so. The consumer goods industries—silk stockings, knitwear, textiles, cigars, and clothing in general—are lagging, while the heavy industries—steel, shipbuilding, railroad equipment and other manufactures allied with national defense—are rapidly expanding.

This is more or less indicated by retail sales trends. Gains over a year ago are sharpest in such cities as Johnstown, Harrisburg, Bethlehem, and Chester—as predicted (*BW—Jun 8, p. 14*). Most spectacular increases in employment and payrolls have been in the shipyards—Sun Shipbuilding, at Chester; New York Shipbuilding, at Camden; the Philadelphia Navy Yard; now Cramp's Shipyard, which has been idle since the early '20's, is to be reopened (*BW—Jul 27, p. 18*), adding to buying power in the Port Richmond and Kensington districts of Philadelphia.

### What Recovery Lacks

But a rounded recovery awaits an upturn in employment in the lighter lines. Salesmen returning from the roads report that retailers are "interested" in adding to stocks, but are not anxious. As yet, consumer buying has not sifted down to the common necessities—clothes and shoes—but rather has taken the form of purchases of higher-priced durable consumer goods such as automobiles, household appliances, home furnishings (*BW—Jul 27, p. 13*).

The return of the native Campbell Shoe Co. (employees: 600-700) to Littlestown, Pa. (pop. 2,000), steps up the town's sales potential substantially. The company came back from the South.



**CHICAGO**—Defense is in the background of all major industrial activity in this Reserve district, even though orders direct from the government are relatively sparse as yet. Manufacturers are getting primed for armament business by laying in inventories and placing orders with suppliers.

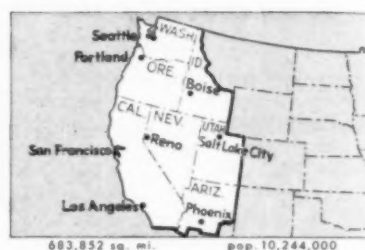
Automobile companies in the Detroit-Pontiac-Flint area, after closing the 1940-model year with a sales bang (*BW—Jul 27, p. 13*), plan a quick pickup on new-car production, in case the Army and the Navy take more capacity and man-hours than expected.

### Implement-Makers Benefit

Agricultural implement manufacturers are having one of their big years, with volume about 15% ahead of 1939. And though International Harvester has an order for 400 heavy tractors for the Rock Island arsenal, bulk operations are for agriculture, not for defense purposes. Rounding out the picture of industrial strength, steel output is at its best level since 1929.

In the agricultural sections, however, income gains over a year ago are for the most part unimpressive. Prices have generally been declining. The most hopeful sign is that hogs have managed to hold above \$6, which spells out comfortable profit margins for a wide farming area out here. But neither the size of crops in general nor prices augur any major jump in income over a year ago.

So, from a retail sales standpoint, gains ought to be greatest for the next few months in such heavy-industry concentration points as Milwaukee, South Bend, Indianapolis, Davenport-Rock Island-Moline, auto centers, and this city.



**SAN FRANCISCO**—The war has closed important export outlets for apples, pears, lumber, and wheat, and now this government's diplomatic policy threatens another of this Reserve district's basic commodities—oil.

If the license system results in a total embargo on sales to Japan, then California oil companies will lose about one-quarter of their business, and shipping activity out of San Francisco harbor will suffer.

Indeed, coastal cities are already feeling the war's effect. With large European lines withdrawn from Pacific service, waterfront payrolls have declined sharply. Consequence: Department store sales in this city have not kept pace with gains of other cities in the district.

The war, however, has not been entirely bearish in its effects. In the Pacific Northwest, orders for lumber have bounded well above levels of recent months—on continued demand for domestic paper and pulp and the better-than-seasonal improvement in new home building throughout the country. Furthermore, manufacture of plywood and furniture is in an up-trend.

### Sales Opportunities

At Seattle, the Boeing Airplane Co. is expanding. Thus, Los Angeles is not the sole "defense" sector here; but the heavy concentration of aviation and metal-working plants rank it as the district's hot sales spot, with Seattle, Spokane, and Tacoma not far behind.

In Arizona, rising income from lettuce, melons, and mining operations is a spur to trade in Phoenix and Tucson. Salt Lake City, as a natural center for mining in Nevada and Utah, is another "sales opportunity."

## What Defense Business Means

**Checkup on contracts "cleared" by Defense Commission shows impact of arms orders on industry, reveals expansion plans, equipment purchases, production shifts.**

NATIONAL DEFENSE PREPARATIONS move at last out of Washington conference rooms onto the factory floor.

Anxious to prove this point to an impatient American public—and incidentally to give itself a pat on the back—the Production Division of the National Defense Advisory Commission last week released a long list of contracts, totaling \$1,650,000,000, which had been "cleared" through its office from the time the commission was created on June 6 up to July 17. This week, came a second list of contracts, totaling \$72,200,000, for the 10 days between July 18 and July 27.

The commission promptly got its hands slapped for reaching for too big a piece of publicity. Army and Navy officials, irked by the inclusion in the release of what they considered confidential information, were quick to point out that the commission signs no purchase orders. They added that many of the contracts included in the list might have been "cleared" by the commission but could not be considered "closed"—some because business firms involved were refusing to accept orders until Congress permitted five-year amortization of new plant and equipment for defense purposes.

Although the commission releases may have provoked something of a storm in high circles in Washington—Army and Navy officials threatened for a while to eliminate from their daily contract announcements all reference to the kind of equipment ordered—the commission's billion-dollar bombshell did serve to dramatize to business men the significant impact that defense spending is already exerting on industry.

### Hints for Marketing Men

Investors scanned the list to see how their companies were faring in the scramble for contracts. To shareholders in the White Motor Co., for example, it was of more than casual interest to know that their company had a contract for \$5,387,500 of scout cars—a single order that represents almost 25% of last year's total sales.

Production men spotted orders like General Electric's \$476,718 contract for artillery guns and the United Shoe Machinery Corp. contract for \$1,316,200 of 37-mm. anti-aircraft and anti-tank guns—orders that are certain to involve novel conversions of manufacturing facilities.

Marketing men found many helpful hints on where to direct special sales effort. They noted that the government

was going to spend \$18,000,000 on air-planes in San Diego (Consolidated and Ryan), and \$31,000,000 in Seattle (Boeing), that there would be \$20,000,000 extra in Florida markets as the result of an extensive development of air fields and aviation facilities; and that the little town of Dover, N. J., where the Picatinny arsenal is located, could boast \$45,357,000 in contracts for bombs and ammunition.

In the commission's lists, the biggest individual ordnance contract placed with a single private business firm was that for \$26,000,000 of explosives ordered from du Pont, already engaged in an extensive expansion program to accommodate government business (BW—Jul 27 '40, p. 22). Other orders, though not so large in dollar total, are big enough to cause a serious readjustment of ordinary production schedules. For example, the Cleveland diesel division of General Motors, with \$14,442,476 of orders for propulsion machinery—over \$9,000,000 for submarines—will be completely occupied with government work for some time to come. With a backlog of orders exceeding \$20,000,000, the division is faced with the necessity of expanding its Cleveland facilities. This will be accomplished by moving the production of "packaged power" plants (diesel units for mills and shops, complete with

mountings and electric generators) back to Detroit.

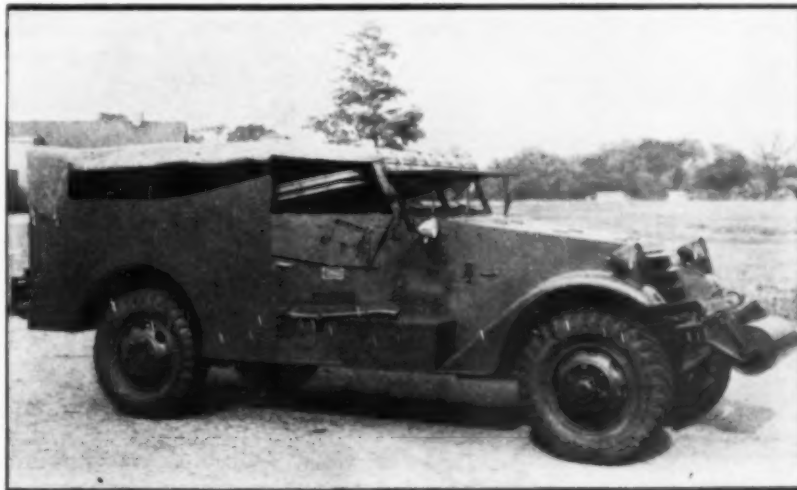
Additional propulsion machinery contracts are booked with Fairbanks, Morse & Co. which will produce \$8,636,811 worth of diesels for propulsion and auxiliary power generation on submarines and submersibles. Even with a background of six years' experience in doing this type of work for the Navy, Fairbanks, Morse will have to add to machine tool facilities considerably, and may have to undertake plant expansion in order to expedite deliveries, which are scheduled to continue into the spring of 1942.

### Spur to New Building

A similar picture of expansion to handle government business is presented by the Buda Co., of Chicago, which started building a \$600,000 plant last week, following closing of a contract with the government for \$2,915,255 worth of radial diesel engines for tanks. The order represents 500 units, and is in addition to the company's commitments for 48 high-speed earth boring machines (BW—Jun 22 '40, p. 34) for the Army.

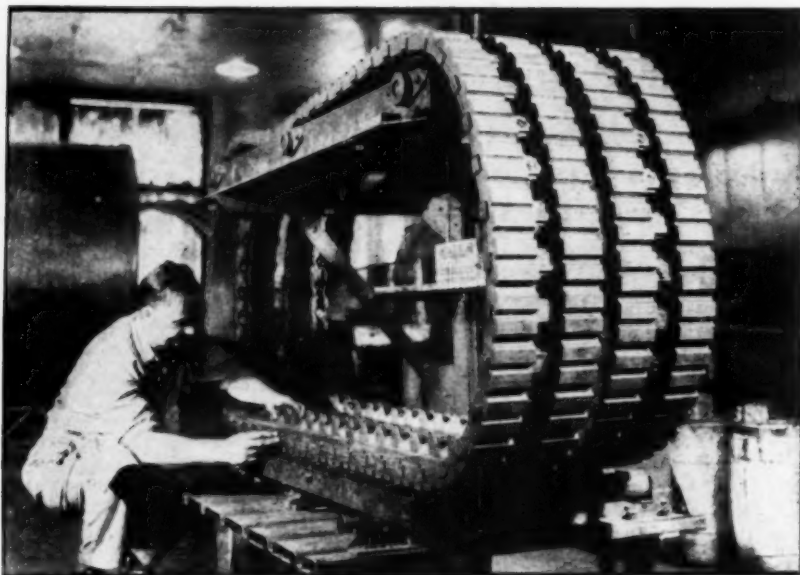
The York Safe and Lock Co., whose normal business is the manufacture of bank and safe deposit vaults, expects to complete plant expansion necessitated by new government orders totaling \$2,068,658, for gun carriages and mounts, within six weeks. Special equipment has already been installed and several hundred additional men called to work at its York, Pa., plant. Similarly, the National Pneumatic Co. of Rahway, N. J., will undertake widespread conversion of plant facilities and installation of new machinery in order to produce \$1,256,500 worth of artillery guns—some 700 units for delivery over two years.

Another company, among the many



*The White Motor Co. is building 1,057 scout cars for the Army. Special features include a four-wheel drive and a roller on the front end that connects with the front axle and helps lift the car out of ditches. In action, the canvas top is removed; guns are mounted on the diagonal rail over the door; and gunners can maneuver into any firing position.*





*"Tracks for half-track vehicles" is the way the Defense Commission describes equipment specified in a \$1,409,439 contract placed with B. F.*

*Goodrich Co. Goodrich is already at work on the big rubber treads taking the place of rear wheels on heavy military motorized units.*

listed by the Defense Commission, whose war orders differ sharply from its normal product is R. Hoe & Co., which will divert part of its facilities for the manufacture of printing presses to the production of \$732,000 of recoil mechanisms for anti-aircraft guns, as soon as its present "understanding" is translated into a signed contract. Still another is the Bartlett Hayward division of the Koppers Co., slated to produce \$3,700,000 worth of anti-aircraft gun carriages in its Baltimore plant, whose ordinary output includes shaft couplings, bearings, special bronze castings, dam gates, and other special heavy machinery for industrial plant construction. During the last war the Bartlett Hayward Co. (not then a division of Koppers) received contracts exceeding \$100,000,000 for munitions.

#### **Tractor Deliveries Begin**

Companies whose government business calls only for increased output of items already in production are able to make more rapid deliveries than are those who must first convert existing facilities or expand. For instance, International Harvester, with a \$2,272,500 order for heavy tractors, representing 400 units, has already begun delivery. The tractors, to be used for hauling heavy artillery, differ from stock machines only in that the tool box is extra-size to accommodate special tools. Allis-Chalmers should also be able to turn out rapidly the \$1,884,063 of tractors the government has ordered.

Sticking to its regular manufacturing last, the Graybar Electric Co. can quote delivery beginning in September on \$2,004,930 of two-way radio command sets—3,100 individual sets. Similarly, National Battery Co. of Depew, N. Y., and

Electric Storage Battery Corp. of Philadelphia can also begin immediate delivery on the approximately \$4,000,000 of main storage batteries which they share under contracts closed with the government. (This is said to be the largest amount of battery business ever placed at one time.)

Because of detailed collaboration with Army engineers on exact design and specifications and because of the experience which it had earlier this year in the production of military equipment for the Allies, the White Motor Co. is already making deliveries on some of the 1,057 scout cars which are included in its \$5,387,500 order. Other companies that should be able to make rapid progress on contracts announced this week for products that are more or less standard include Yellow Truck & Coach (\$8,621,385 for two and one-half ton trucks), Diamond T (\$3,236,423.66 for four-ton trucks), International Shoe (\$1,121,029.44 for service shoes), and Westinghouse (\$3,518,669 for radio apparatus).

#### **Already Well-Equipped**

Stewart-Warner Corp. of Chicago is also in excellent position to fulfill its contract for 20,000 Mark-48 and Mark-51 fuses per month, because the company has been manufacturing these fuses, designed by the government, since November, 1939, at which time it purchased a quantity of new standard machine tools for the production of this complicated 42-part mechanism. Stewart-Warner's contract was listed by the commission as totaling \$237,480. Breeze Corp. of Newark similarly finds present facilities wholly adequate for the production of anti-aircraft fire-control equipment in

the amount of \$775,992 ordered by the government, and Parish Pressed Steel Co. of Reading, Pa., must obtain only necessary press tools to fulfill by Dec. 15 the contract which was awarded—but not signed—last week for \$278,750 of field range cabinets—5,000 units.

One company that isn't talking about its million-dollar contract or how soon it can be filled is the Teletype Corp. of Chicago. Nobody even knew Teletype had an order until the National Defense Advisory Commission in its famous release listed the company as producing "secret" equipment in the amount of \$997,807.54. Presumably, that was one of the disclosures that precipitated the row between the military and the commission, for it is reported that the announcement was news to even some of the top company officials.

## **Ford Has Air Motor**

**Evolves own engine and is tooling up for production in case government wants it.**

FAR FROM SULKING over criticism aroused by his rejection of the Rolls-Royce aviation engine contract, Henry Ford is preparing to spend "twenty or thirty millions" on development and tooling up of his own 1,500 hp. 12-cylinder liquid-cooled engine. Then if the government wants the engine, well and good. At least he has done his duty, according to his own lights.

One of the ablest aviation engine designers and a staff have been developing the engine in the Rouge plant. Sample motors will soon be completed in the toolroom. Tests will be finished in three months, it is estimated, after which the big job of planning the tooling and purchasing the machinery will get under way. It is unlikely that the motors can be built by the mass production methods envisaged by Mr. Ford for almost a year.

The Ford organization is anxious to get its teeth into mass production of this aviation engine. In the first place, no strings will be attached to determining how the engine shall be made. Second, lessons learned in manufacturing an aviation engine may lead eventually to more compact, powerful automobile motors.

Manufacture of an aviation engine according to automobile production practices has been called impracticable. Yet Ford men are understood to feel that the closer dimensions and higher finishes required on aircraft-engine components can be maintained by the use of higher-grade machinery and tooling. Lack of skilled labor is a problem, it is true, but may be partially overcome by spending more money on the jigs, fixtures, and gages.

A genuine production line, according to automobile standards, had been planned for the Rolls-Royce engine, and will be used for the new Ford aviation engine.



## The Real Aviation Program

**Behind the talk of billions are specific production quotas, plant expansion rates, plans for subcontracting—notably with automotive companies. Here they are.**

THERE HAS BEEN SO MUCH TALK in Washington about thousands of airplanes and billions of dollars to pay for them that business generally is in a complete haze regarding the vitally important aviation section of the national defense program. Here are the facts—and hopes.

The Aviation Advisory Commission to the National Defense Council has worked out a specific aircraft procurement plan with the full cooperation of the Army and Navy. It calls for a national productive capacity of 40,000 planes and 100,000 engines annually by July 1, 1942, and for a total production of that number of planes and engines during the two-year period up to that date during which extensive plant expansion will be under way. The blueprints set an output of 15,000 planes for the first year, 25,000 for the second—notably training ships, "flying fortress" bombers, dive bombers.

These production specifications call for a three-fold increase in the aviation plant capacity of the country. Expansion rates for individual plane and engine manufacturers have been definitely set but are secret since publication would indicate just how we propose to proportion our air fleet by types of ships. They run as high as 10 times present plant size; the average is between three and four times. Total cost of plant expansion is estimated at \$350,000,000.

### Job for Auto-Makers

Of special significance to business are the indications that automotive manufacturers will participate in this air defense program as subcontractors to the plane and engine builders. Negotiations with such manufacturers are now at the confidential stage, but it can be said that one contract under discussion is so large that its completion might easily affect the company's regular automotive output.

Such subcontracting business is expected to amount to about \$300,000,000 for the next two years and to an equal amount for each 40,000 plane year thereafter. This figure is arrived at by estimating the subcontracting at 10% of the production cost of each lot of 40,000 planes, which should be about \$3,000,000,000.

Talk of aviation plant expansion raises the question of where, and manufacturers have been besieged by Chambers of Commerce delegations from everywhere. Best current answer seems to be that, since most of the present aviation industry is situated close to the borders of the

United States, only a small part of the individual expansion will be permitted in present locations. Texas and the Tennessee Valley get notably favorable consideration in Washington.

In the final analysis, plant location decisions will be heavily influenced by the availability of skilled labor. Estimates indicate that a five-fold increase in direct aviation labor will be required by the defense program, bringing the air industry's direct labor total up to around 380,000 persons. Part of the picture is an expansion of at least three-fold in mechanics' school facilities, plus extensive apprentice training systems in the plants. Mechanics' school expansion got under way last week with the dedication of the new Academy for Aeronautics, close to La Guardia Airport in New York. This new school, with a capacity of 400-600 students every two-year term, is affiliated with the well-known Casey Jones School of Aeronautics.

All this sounds like fast action and that's the plan, but there's one sticker—Washington's delay in pushing through promised legislation to permit five-year amortization of defense plant and to lift the profit limitation laws under which the aviation industry has been working.

The industry feels that it must have assurances on these points before it can take all these plans for expansion to its capital suppliers and its stockholders.

Meanwhile, however, Wright Aeronautical Corp. has gone ahead and negotiated a loan of \$92,000,000 from the Reconstruction Finance Corp. for a new plant in Ohio which will have a capacity of more than 1,000 engines a month. And other manufacturers have indicated their willingness to start moving without waiting for the tax legislation as a result of a gentlemen's agreement reached with the Washington authorities last week in a meeting at which Donald W. Douglas of Douglas Aircraft Co. was industry spokesman.

### London's Request—and Comment

While all this has been going on, Washington has been juggling the immediate British request for 3,000 planes a month. Cost estimates on such a program, over and above the domestic one, have actually been presented to the British Purchasing Commission. Washington seems to take them seriously. Aviation people note these facts: That it would obviously be impossible to start such a program any earlier than our own; that it would threaten to jam machine tool and labor supplies; that, because of its high proportion of combat planes, the total airplane poundage of the British order of 36,000 a year would be greater than that of our 40,000; that this would push costs of the proposed 38 additional "British" factories and the total cost of the British program into fabulous figures; that whether it gets any further depends on the "Battle of Britain."

### Rolling in Comfort



Freight train cabooses can be just as comfortable as the streamliners—at least that's the idea in this one just built for the New York, New Haven

& Hartford by Pullman-Standard. It's furnished with bunks, a big desk, a heating and cooking stove, running water and a refrigerator.



E. S. Taylor (Massachusetts Institute of Technology).

Emory S. Land (Maritime Commission), director.  
W. G. Du Bose (U. S. Navy), assistant.

Administrative Divisions

Union (U. S. Army), Army.  
Captain A. B. Reed (U. S. Navy), Navy.  
W. A. Harriman (Union Pacific R. R.), transportation and export licensing.  
J. S. Yince (Studebaker Corp.), export license.

## Staff

Owen D. Young (General Electric), adviser on training.  
Maxwell Branden, executive advisory assistant.

## Labor Relations

John Owens (United Mine Workers of America).  
Joseph D. Keenan (Chicago Federation of Labor).

## Labor Requirements, Employment Standards

Isador Lubin (Commissioner of Labor Statistics).  
Edward Martin (Bureau of Labor Statistics).  
N. Arnold Toller (Wage-Hour Administration).

## Staff

Karl W. Fischer (Chicago, Burlington & Quincy R.R.), assistant commissioner.  
A. F. Swinburne (Assn. of American Railroads), assistant.

## Consultants

A. T. Wood (Lake Carriers Assn.), lake transport.  
A. M. Hill (Natl. Assn. of Motor Bus Operators), bus transportation.  
T. V. Rodgers (American Trucking Assn.), trucks.

## Staff

Dr. Caroline F. Ware (American Univ.), executive assistant and liaison with Bureau of Research and Statistics.

Miss Gay Shepperson (WPA), assistant for liaison with Coordinating Committee for Health and Public Welfare.

## Staff

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R. K. Thompson (Federal Reserve Board), administrative assistant.

## Staff

John Hamm (Russell Sage Foundation), executive assistant.

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Dr. J. M. Clark (Columbia Univ.).

## Labor Division (Hillman)

### Labor Supply

Floyd W. Reeves (U. of California), director.  
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W. W. Alexander (Rosenwald Fund).  
H. A. Sarre (Federal Works Agency).  
Robert C. Weaver (U. S. Housing Authority).  
Martin Carpenter.  
Major F. J. McSherry (War Department), consultant.  
Miss Thelma McKelvey (National Youth Administration), consultant.

### Coordinating Committee

Arthur J. Altmeyer (Social Security Board).  
Clare Beyer (Department of Labor).  
Wayne Coy (Federal Security Agency).

## Transportation Division (Budd)

J. M. Hood (American Shortline Railroad Assn.), shortline railroads.  
A. W. Dann (Union Cargo Line Corp.), barges.  
F. R. Smith (American Airlines), air transport.  
F. B. Dow (National Petroleum Assn.), pipelines.  
Thomas P. Henry (American Automobile Assn.), automobiles.

### Liaison Officers

#### War Department

Colonel H. K. Rutherford.  
Major W. H. Sadler.  
Lt. Col. C. H. Tenney.

W. W. Alexander (Rosenwald Fund).

J. J. McEntee (CCC).

Major F. J. McSherry (War Dept.).

F. R. Rauch (WPA).

J. W. Studebaker (U. S. Office of Education).

Aubrey Williams (NYA).

Isador Lubin (Bureau of Labor Statistics).

Arthur S. Fleming (Civil Service Commissioner).

Labor Policy Advisory Committee

Harry C. Bates (Bricklayers, Masons & Plasterers Union).

Van A. Britner (United Mine Workers).

H. W. Brown (Intl. Assn. of Machinists).

John P. Coyne (Building & Construction Trades Dept., A.F.I.).

S. H. Dalrymple (United Rubber Workers).

Colonel J. H. Burne.

Lt. Col. S. P. Spaulding.

Major J. C. Dill.

Colonel Charles Hines.

Major I. C. Brown.

Major W. H. Soderholm.

Colonel J. W. N. Schulz.

Navy Department

Commander D. W. Mitchell.

Captain A. B. Reed.

G. H. Holmboe.

J. E. Andrews.

## Consumer Protection Division (Elliott)

### Consultants

Mrs. Minnie Fisher Cunningham (General Fed. of Women's Clubs).  
Josephine Wilkins (Georgia Citizens Fact-Finding Committee).  
Mary Dublin (Natl. Consumers' League).  
John Cassels (Stephens College).

Frances Williams (V.W.C.A.).

John Edelman (U. S. Housing Authority).

Louis Adamic (Author).

### Coordinating Committee for Health and Public Welfare

Dr. Thomas Parran (United States Surgeon-General).

## Agricultural Division (Davis)

### Food Supply Section

George Livingston (Millers' Natl. Fed.).

### Consultants

Raymond C. Miller, foreign trade.  
James Cavin (Bureau of Agricultural Economics).  
Dr. J. K. Galbraith (Russell Sage Foundation).

## Prices Division (Henderson)

Dr. Calvin Hoover (U. of North Carolina).

R. H. Lansburgh (Pennsylvania Economy League).

Frank Coe (Federal Security Agency).

Milton Katz (Harvard Law School).

David Ginsburg (SEC).

George Renard (Natl. Assn. of Purchasing Agents).

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Donald N. Nelson (Treasury Procurement), coordinator.

### Staff

Ralph I. Straus (R. H. Macy), special assistant.

Colonel R. A. Ross (Ross Bros.), special assistant.  
Donald Bloomingdale (Bloomingdale's), office manager.

### Functional Sections

James Lynab (General Motors), specification and standardization.

H. T. Lewis (Harvard Univ.), and C. I. Grage (Harvard Univ.), research, statistics, and costing.

Priorities section unfilled to date.  
Hiram S. Brown (U. S. Army), industrial contracts.

### Industrial Liaison

F. M. Folsom (Goldblatt Bros.), industrial materials and production.

### Housing Coordination

Charles F. Palmer (Palmer, Inc.), coordinator.  
Carl H. Monsees, assistant.

F. M. Dart.  
Huntingdon Morse.

### Interstate Commerce Commission

J. B. Eastman.

J. M. Johnson.

### Public Roads Administration

Thomas H. MacDonald.

### Advisory Commission

W. A. Harriman, with Stettinius.

C. S. Peterson, with Elliott.

Dr. Andrew Stevenson, with Research and Statistics.

General), health and medical problems.  
Katherine Lennett (Dept. of Labor), children's problems.

Arthur J. Altmeyer (Social Security Board), social security and welfare problems.

Dr. M. L. Wilson (Dept. of Agriculture), nutrition problems.





All of Elwood, Ind., is busy sprucing up for the expected horde of visitors on Aug. 17, when Wendell Willkie comes home to deliver his acceptance speech. Naturally, the painters give special attention to the Willkie birth-

place (left). Downtown, traffic density reaches its peak on the porch of Elwood campaign headquarters. Visitors already crowding into Elwood have boosted daily volume of many local businesses by as much as 60%.

Levelllyn Studio

## Elwood, Ind., Cashes In on Willkie

**Nominee's Hoosier birthplace (pop. 10,800) has first boom since the old mill shut down, and whole town prepares for shower of dollars on Notification Day.**

REGARDLESS of Wendell Willkie's personal future, Elwood, Ind., is cashing in on him right now. Ever since his nomination, dollars have been showering down on his native town, and the neighbors are expectantly eyeing the horizon. The big-money storm is prophesied for Notification Day, Aug. 17, when 150,000 to 300,000 visitors will show up with pockets jingling.

And don't think the local folks don't need cash.

Elwood (pop. 10,800) was a modestly prosperous one-plant town up to two years ago. Then Carnegie-Illinois shut down its ancient 1,200-man tinplate mill. Loss of this payroll left one family in three on WPA or relief, with no better times in sight. But the Republican National Convention practically abolished unemployment in the community.

Eight hours after the famous sixth ballot at Philadelphia, Police Chief Fogerty noticed heavier traffic on Highways 13 and 28, sole routes into town. Instead of speeding, half the drivers dawdled and gawked. Many stopped to ask where Willkie had lived and gone to school, then went looking. This continues to date.

Subsequent road counts show 70% more cars driving through Elwood. Gas stations and restaurants are taking in 60% more. Local hotels, after many lean years, fill their 124 rooms nightly. Beer taverns average 250 more seidels a day—a \$25 bigger take.

Elwood put on a campaign to clean up and paint up for the visitors. July was the biggest month local paint dealers ever had. A look along Anderson St., the main drag, one afternoon last week disclosed five ladders leaning against business blocks, with a painter atop each ladder. Every building mechanic in town is hired full time to Aug. 17. Scythes are swinging in the ragweed of vacant lots. The rest of the formerly unemployed are working in the 60-acre city park, on the payroll of the Republican National Committee, trimming off lower branches and moving shrubs so that as many as 350,000 visitors can see the nominee if they want to when he says, "I do."

### Front-Porch Hospitality

Souvenirs and soft drinks have become the town's meal ticket. Dozens of residences have installed Coca-Cola coolers on their front porches, including the big house which is notification headquarters. Hustling youngsters urge strangers to buy campaign car-signs, and one has a souvenir stand on the high-school corner. Florence Cooper's millinery shop flaunts a big sign, "Wear a Hat from Willkie's Home Town," and is selling several chapeaux a day to visitors. Quick-turn specialists from big cities have rented vacant stores.

The Notification Day crowd will be the biggest business event that has ever struck Central Indiana. Local beaneries are hiring extra cooks and waitresses.

Sodalities and Ladies' Aid societies and caterers from 75 miles away have leased 200-odd refreshment booths in the park at \$5 per 10-ft. front.

Most local housewives will sell sandwiches and coffee. So will gas stations, deprived of their regular trade by the day's ban on all automobiles. Hotels in Kokomo, Anderson, Marion, and other towns nearby expect sell-outs for the week-end. Elwood residents who will take roomers for one, two, or seven days are considered public benefactors.

### Railroads, Buses Profit

One of the largest passenger movements in Middle Western history will come on Aug. 17. Two weeks ahead of time the town's two railroads, the Pennsylvania and the Nickel Plate, had booked special trains to handle 40,000 passengers, were holding as many more requests to see how much equipment they can disentangle after the National Guard movement of Aug. 10.

The rails are trying for the long-haul passengers, leaving to buses the intermediate hauls of larger numbers, and to private automobiles the short hauls. To provide parking space for 55,000 cars within a mile of the big speech, the Republicans have leased 240 acres adjoining the park. Local Democrats are gleeful because the closest-in tract belongs to a Roosevelt partisan who soaked the G.O.P. \$40 per acre rental.

Only comparable clambake of recent years was Homer Capehart's cornfield conference in 1938. Elwood has drafted Capehart as chairman for its shindig, thus getting his experience in feeding and handling huge crowds. Major construction jobs under his supervision—providing a good many thousand dollars' worth of building material sales and workmen's wages—include speakers' platforms at



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This Burroughs dispatch system for speeding service calls in a metropolitan area has its counterpart in Burroughs offices everywhere.

## THEY GUARD YOUR OFFICE against interruption



Burroughs maintains more than 450 service centers. Uniformly efficient local service—readily available to every Burroughs user—extends to every county in the United States, to every part of Canada, and to foreign countries.

Burroughs prompt, efficient local service is recognized by users as being without an equal for safeguarding the mechanical performance of office machines. Each man in Burroughs vast service organization is factory-trained, factory-controlled, and paid solely by Burroughs. Each is placed where he is readily available to render periodic or emergency service to Burroughs users in his territory, and his work is supervised and guaranteed by Burroughs. Such efficient service saves time and money, assures minimum interruption in office routine, and is a major reason why over a million businesses have decided in favor of Burroughs equipment.

BURROUGHS ADDING MACHINE COMPANY, DETROIT, MICHIGAN

# Today's Burroughs

DOES THE WORK IN LESS TIME—WITH LESS EFFORT—AT LESS COST



Lewellyn Stein

Elwood business overlooks no Willkie bets. Milliner Florence Cooper (left) boosts headgear from the nominee's home-town and rings up extra sales every day to

out-of-towners. Go-getters are doing a thriving business at souvenir stands. Like the high school, every point touching the Willkie legend is prominently labeled.

high school and park, and several hundred linear feet of sanitary facilities.

Nobody knows how to estimate the cash that the Republican horde will leave behind in Elwood. But local leaders assert that the town's morale has already been so bucked up that it would be worthwhile without further profit. The twin stimulators have been a new sense of national importance, and a lot of new jingle-money in circulation. Two local manufacturers are doing a national business in Willkie signs. Several small factories have entered business. The secretary of the Elwood Industrial Bureau reports a cordial reception instead of a vacant stare when soliciting distant manufacturers to establish local branch plants.

Biggest business lesson is the prescription for curing the economic ills of a one-industry town abandoned by its industry: Have a native son nominated for President of the United States.

## Aluminum Price Cut

**Reduction is second in four months. New company enters field. Trust suit winding up.**

USE OF ALUMINUM in this country during 1940, spurred by national defense needs, almost certainly will exceed 1939's all-time high figure of 163,545 tons by a wide margin. Such being the case, announcement of another price reduction by the Aluminum Co. of America late last week is important news to consumers of this versatile metal.

The cut was 1¢ a lb., bringing the posted price down to 18¢. Moreover, it follows by only four months another reduction of 1¢ a lb., and lopping 2¢ off the price of a metal means upwards of 87,-

000,000 a year in savings to a country which is apparently chewing up more than 175,000 tons annually.

The current reduction, like that last March, is attributed by the company to "benefits of research and development together with expansion of plants and facilities. . . ." In that connection, the company appropriated \$26,000,000 for expansion in 1937. Upon completion of that program, another \$30,000,000 increase in facilities was undertaken. And, even before this latter budget was exhausted, \$10,000,000 more was appropriated.

### RFC Comes Across

The latest \$10,000,000 expansion fund is to defray most of the cost of two new hydro-electric projects on the Little Tennessee River which will help to provide power for sharply accelerated production (*BW—Aug. 3, 40, p. 20*). Of the \$30,000,000 appropriated earlier, it is estimated that about \$12,000,000 was for expansion of plants which are major suppliers of the aviation industry.

Almost simultaneously with the announcement of the Aluminum Co.'s price cut, Federal Loan Administrator Jesse Jones made known the fact that the Reconstruction Finance Corp. had agreed to lend \$15,800,000 to Reynolds Metals Co. for the construction of an aluminum plant. It was indicated that this plant is to be located in the Tennessee Valley and Richard S. Reynolds, president of the metals company, says it will be ready to get into production early in 1941.

The Reynolds company for some years has been a fabricator of aluminum products, purchasing the metal from the Aluminum Co. Its major activity in aluminum, up to this time, has been the manufacture of foil. Erection of the new plant will mark Reynolds' initial production of the virgin metal.

Details of the plans indicate that the Reynolds management intends to start out with production of about 10,000 tons a year. Although TVA, along with others experimenting in the process, has succeeded in producing aluminum from clay, this is still a very expensive proposition and there seems little likelihood that Reynolds will try it. The company is understood to have arranged to draw on the Netherlands East Indies as well as mines in Arkansas, Alabama, and Mississippi for the bauxite needed in production of aluminum ingots.

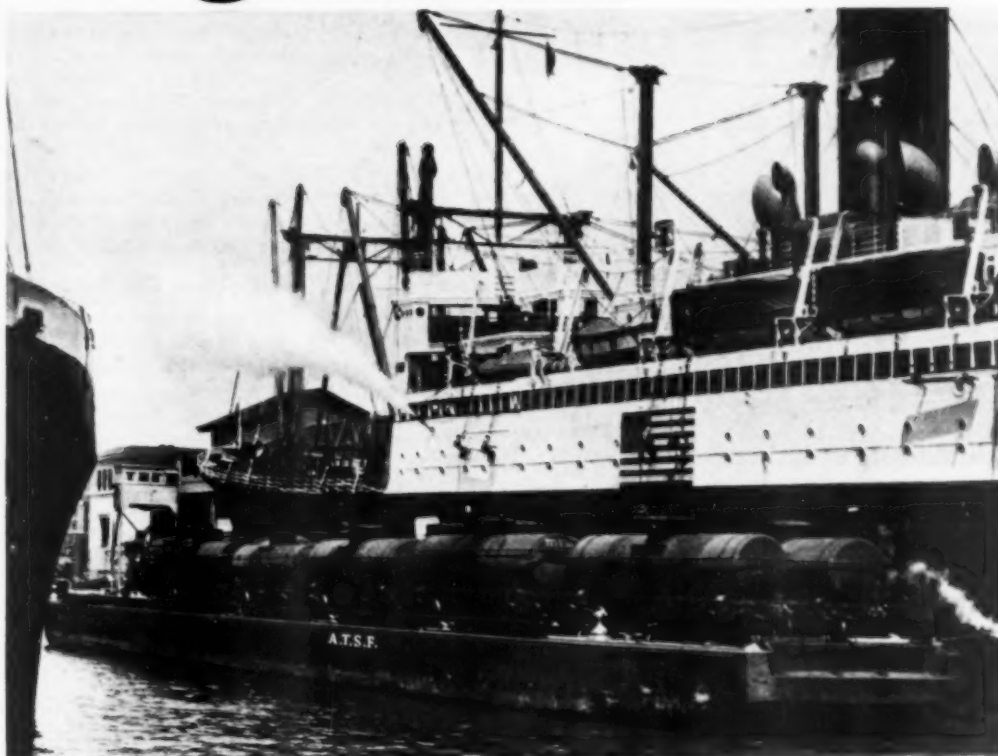
Washington reporters, remembering the government's protracted anti-trust litigation against the Aluminum Co. and subsidiaries, at once undertook to get the RFC officials to say that the Reynolds loan was being extended in an effort to dent the alleged monopoly. To their questions, Emil Schram, chairman of the RFC, replied that "we think it is a good loan because it will be a well-secured loan."

Incidentally, the trial of the anti-trust suit this week was dragging to a close. Evidence has been presented over a period of two years and two months.

### Citrus Sales Warmed Up

THE HEAT WAVE, which sent the mercury climbing throughout most of the U. S. a couple of weeks ago, also skyrocketed sales of citrus fruit. The California Fruit Growers' Exchange reported that sales of packed oranges during the week of July 21 exceeded the previous week by over 200 cars and were 41% higher than in the same period in 1939. Biggest demand was for lemons. After taking two days to clear up a glutted market, wholesalers besieged the Exchange, which responded by shipping better than 122 cars daily.

# Vegetable Oils



*Santa Fe Tank Car Float, Alongside Steamer in San Francisco Harbor, Receiving Vegetable Oil for Rail Shipment*

● San Francisco Bay District leads all other Port Districts on the Pacific Coast in the annual importation of Vegetable Oils and is directly served by the Santa Fe.

● With its fast dependable Freight service, the Santa Fe assures you Expedited Handling and On-Time Delivery, on import and export traffic.

● Our Foreign Freight Department gladly will render any assistance in the handling of your foreign shipping problems.



W. E. HINES  
Foreign Freight Agent  
Chicago, Ill.

J. W. BANNATYNE  
Foreign Freight Agent  
San Francisco, Calif.

H. B. BROWN  
Export and Import Agent  
New York, N. Y.

F. H. BEEMAN  
Foreign Freight Agent  
Los Angeles, Calif.

★ WE FAVOR ADEQUATE PREPAREDNESS FOR NATIONAL DEFENSE ★



## They'll Carry the Defense Load

**Railroads and truck lines complete organization to transport arms and men, say advance planning and improved equipment will prevent any shortages or jams.**

IN THE SCRAMBLE OF THE LAST WAR, 5,000 railroad cars were put out of service for a long period because they were loaded with piling which Hog Island shipyard was unable to accept. Other cars, loaded with anchors, arrived before the keel of the first vessel was laid. At one time a total of 200,000 cars (almost 25% of the capacity) were tied-up because they couldn't be unloaded.

Here are classic examples of what happens to a major defense drive when orders and transportation are badly integrated. But Washington is assured that it can't happen this time. Ralph Budd, president of the Burlington Railroad, sits at the transportation controls of the National Defense Advisory Commission to guard against such stupidities. Through his consultants he covers the entire national pattern. They are:

Ted V. Rodgers, president, American Trucking Association; Arthur M. Hill, president, American Bus Operators Association; A. T. Wood, president, Lake Carriers Association; Fred C. Horner, assistant to the chairman, General Motors (representing truck fleet owners); Thomas P. Henry, president, American Automobile Association (private car owners); C. R. Smith, president, American Airlines (air transportation); Fayette B. Dow, of the American Petroleum Institute (pipelines); Alexander Dann, president, Union Barge Line (river barges); J. M. Hood, president, American Short-Line Railroad Association.

### Better Organized Than Ever

Recently there were reminiscent shivers over talk of a shortage in coal cars and over Mr. Budd's exhortation for reducing "bad-order" cars to 6%. Railroad men resent the implications of both observations on their business. That talk of a coal car shortage they branded as rumors to stimulate sales (the argument is popping up in numerous industries). As for the percentage of cars in need of repair, they pointed out that the 6% figure was an ancient ideal, not enough below the June 15 bad-order total of 9.8% to cause any worry. They deny there is a car shortage of any kind, add confidently there isn't going to be any during the defense effort. Their reasons:

(1) The carriers are better organized than ever through the Association of American Railroads. (2) Improved equipment and better use of equipment, especially through increased turn-around of freight cars, adds greatly to carrying ca-

capacity. (3) Highway systems built since 1918, the nation's 4,500,000 trucks, and 50,000 to 60,000 passenger buses would relieve any pressure on the railways. (4) Mechanized arms mean larger military movements via the highways.

Defense freights won't present any problem until the fall of 1941, when the first big results of the defense production effort will be felt. The Association of American Railroads will be able to handle the job, first, because it has already laid the groundwork, and second, because—unlike solicitous individual roads—it can turn the heat on balky shippers.

The World War increase in railroad traffic (1916 to 1918) was only 12% over the commercial load. This is not as great a bulge as the roads take in their stride between slack and busy periods. M. J. Gormley, A.A.R. executive assistant, figures that the arming, maintenance, and transportation of 3,000,000 men would mean moving about 25,396 carloads extra per week, or 4% of average weekly car loadings in 1939.

Kernel of the whole problem is to keep



*Arthur H. Gass, officially the manager of the military transportation section of the Association of American Railroads' car service division, is really the Army's new traffic manager. His job will be to get military men and materials there and back. During the World War, he served on the staff of Gen. W. W. Atterbury and supervised evacuation of United States troops from France.*

cars moving, to prevent their use as warehouses. The railroad association has its organization in operation. Through its regional advisory boards, shippers in every section cooperate to keep cars rolling. Its embargo and permit system is frequently employed. Possible congestion at the Eastern Seaboard will be prevented by the manager of port traffic, located at New York. A skeletonized version of the Railroad War Board (for troop movements) carries on in the War Department at Washington. It can be immediately expanded. On July 24, the association named Arthur H. Gass as car service manager of its military transportation section.

### Have Had Big Jobs Before

Since the shippers' advisory boards were established (1923) A.A.R. cites these railroad accomplishments: (1) There has been no car shortage; (2) freight trains travel 60% faster; (3) average freight car capacity has risen 20%. The record freight traffic of 1929 could be handled now with 350,000 to 400,000 fewer cars.

"What war emergency," ask traffic men, "could compare with the 1939 increase from 555,396 cars loaded in May to 861,198 in October? The 55% rise (biggest on record for such a period) was handled without difficulty."

While truckers admit that the railroads will carry most of the defense load, they are preparing to do their share. Nucleus for a war organization is present in the American Trucking Associations, Inc., Washington. As the name implies, it is an organization not of individual companies but of groups. There are 24 regional vice-presidents. Divisional vice-presidents represent automobile transporters, cartage operators, common carriers, contract carriers, film carriers, household goods carriers, oilfield haulers, petroleum transporters, private carriers. The A.T.A. is staffed by 550 persons in branches and tariff bureaus all over the country.

### Pools of Trucks Proposed

The organization has submitted preliminary plans to the National Defense Commission and the War Department which could be implemented as soon as need arose. A.T.A. would become the clearing house, keeping underlying membership informed of all national demands through its state offices. On mobilization (dreaded "M-Day") the tentative blueprints call for a separation of A.T.A.'s organization and government activities. It might mean a corporation that would be dissolved with the passing of the emergency. Proposals look to gathering pools of trucks that would widen or contract in harmony with defense requirements, and establishment of a central dispatch service to coordinate loading, routing, unloading.

Truck interests hope that defense needs will help in their fight against state trade barriers. They are publicizing instances where state regulations governing trucks





## WHO WANTS TO BUY A MERRY-GO-ROUND?

Air conditioning is fine for the customers, great for the help . . . but where do you get off?

You know the benefits of it—more traffic, more sales, better selling, less returned merchandise. You know, too, that sooner or later the force of competition alone will drive you to it. What you want to know is: "Will that increased volume actually leave me with a profit? Will my installation prove a merry-go-round . . . or will it get me somewhere?"

To get the answers, call "Headquarters." York air conditioning installations are engineered not merely to function mechanically but to earn

a profit on the investment. York's fifty-five years of leadership in its field is based on one commandment—it must profit the user.

This fundamental concept begins with the designing of York machinery. It follows through in the manufacture of units that have become the accepted yardstick of the industry, in the planning of jobs and final installation. It is the success secret back of more than 100,000 engineered air-conditioning and refrigeration installations throughout the world.

York Ice Machinery Corporation, York, Pa., Headquarters Branches throughout the world.

### A few of the many nationally-known users of York equipment

Armour  
A. & P. Tea Co.  
Baltimore & Ohio R. R.  
Beechnut Packing  
Bethlehem Shipbuilding Corp.  
Borden  
Canada Dry  
Coca Cola  
Cudahy Packing  
Curtiss-Wright  
Du Pont  
Eastman Kodak  
Firestone  
First National Stores  
Ford Motor  
General Baking  
General Foods  
General Mills  
General Motors


Goodrich  
Gulf Oil  
Hormel  
Hershey Chocolate  
Industrial Rayon  
Johnson's Wax  
Monsanto Chemical  
Norton Company  
Pabst Brewing  
Paramount Pictures  
Pennsylvania R. R.  
Philip Morris  
Procter and Gamble  
Ruppert's Brewing  
Sheffield Farms  
Socony-Vacuum  
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## Headquarters for Mechanical Cooling Since 1885

See the latest York equipment at the showroom of the York Branch or Distributor nearest you

Refrigeration and Air Conditioning for every Industrial Application • Comfort Air Conditioning for every type of Store, Restaurant, Office, Hotel, Institution or Residence • Marine Refrigeration and Air Conditioning • Yorkaire Automatic Heating • Refrigeration for every Commercial Use; Hotel and Restaurant Refrigerators; Beverage Dispensing Equipment • Flat Ice Machine—Ribbon Ice in 60 Seconds • Dairy and Ice Cream Plant Equipment • Refrigeration Accessories and Supplies.



**STOP THESE HIDDEN LEAKS  
THAT WASTE YOUR DOLLARS...**

Hundreds of Plants effect Big Savings  
with

**Carey**  
INDUSTRIAL PRODUCTS

**M**ANY industrial plants have hidden profit leaks in the form of waste in production, or excessive overhead. While these leaks may be small in themselves, they may add up to a very costly total.

Heat loss, through inadequately insulated pipe, is one of the most common of these hidden profit leaks. Scientific tests show, and hundreds of installations prove, that from 70% to 98% of this loss may be saved by correct insulation.

Fortunately for industry, there is a practical way, not only to find these wastes, but also to eliminate them. The Carey organization is equipped to help you uncover the profit leaks in your plant. A phone call or letter to our nearest branch, will bring a representative.



### THIS BOOK TELLS HOW TO REDUCE PROFIT LEAKS

Guides you in making a complete check of your plant from roof to basement . . . tells where to look for waste in power production and in building maintenance . . . how to stop this waste. This book should be on the desk of every factory executive. It is yours for the asking. Send for your copy today, address Dept. 29.

### INDUSTRIAL BUILDING PRODUCTS OF ASPHALT—ASBESTOS—MAGNESIA

Roofing . . . Siding . . . Flooring . . . Insulations . . . Roof Coatings and Cements  
Waterproofing Materials . . . Expansion Joint . . . Asbestos Paper and Millboard

**THE PHILIP CAREY COMPANY** • Lockland, Cincinnati, Ohio  
*Dependable Products Since 1873*  
BRANCHES IN PRINCIPAL CITIES

One pair of bare, 10-inch flanges at 350°F., waste one ton of coal per year.

One foot of bare, 10" steam pipe, heated to 700°F., can cost you heavy heat loss. Figuring steam cost at 30c per million B.T.U., insulation 3 1/2" thick, shows an annual saving of \$25.50 per foot of pipe.

and trailers have hindered movement of armed forces. The question of whether the federal government is going to allow interstate nagging to interfere with the national effort is being put before Congressmen. It is also hoped that the Comptroller General's ruling requiring advertising for bids from commercial truckers will be relaxed to allow selection of truck service at rates filed with the Interstate Commerce Commission.

The lumbering trucks of 1918 did noble service in the muddy ruts of France. An Army experiment during maneuvers in Louisiana and Texas last May showed what the vastly superior vehicle of today could do. Henry E. English, Dallas owner of the Red Ball Motor Freight Lines, furnished 30 trucks with commercial drivers. They delivered 25 to 30 truckloads of supplies daily to the base and to stations throughout the area during weeks of preparation and combat drill. Their performance met every test requirement, pointed out one mission of the industry in war.

Similarly, the bus industry is waiting for its call, confident that it will have an important job in transporting workers to and from new defense plants, and in serving training camps in remote regions.

## Oil Turmoil

**Petroleum industry feels a little better as steady news follows period of jitters.**

THIS COUNTRY'S petroleum industry has just passed through a frightening fortnight and has emerged, if anything, a bit reassured at the end of it. It has seen a crumbling price structure right itself, at least temporarily. It has seen an anti-trust suit held off until the national defense experts decide whether such a prosecution would hamper their program. It has watched Texas tighten its restrictions on crude oil output. It has seen an embargo placed on export of aviation gasoline from this hemisphere. And it continues to witness record consumption of gas at home.

These items comprise a pretty fair budget of good news and, taken by themselves, might indicate that everything was orchids in the oil game. However, they overlook the long-standing bugaboo of much too much gasoline on hand, the fact that the country's petroleum output remains at a high level, and the vagaries of Illinois' crude oil production which breaks all bounds when least expected.

### Shock to Producers

It was only a couple of weeks ago that one of Harry Sinclair's companies, the Sinclair Prairie Oil Marketing Co., threw a scare into oil producers by cutting its buying price on crude by from 4¢ to as much as 28¢ a bbl. in the central and north Texas fields. It was a development

# TONIGHT

## *They're Playing Under Lights!*

*by Westinghouse*



public has taken night baseball to its heart.

• In 1939, for instance, nearly one million persons attended major league night baseball games. The night games at Shibe Park, Philadelphia, topped the daytime attendance average five to one. In Comiskey Park, Chicago, the first six night games drew over 188,000 paid admissions.

• There has been similar enthusiastic response to night games played in the Polo Grounds, New York; Sportsman's Field, St. Louis; Forbes Field, Pittsburgh; as well as those at other baseball parks.

• Consider if you will the unusual demands of a lighting system that must provide glareless illumination for a fast night baseball game.

• At Forbes Field, Pittsburgh, our most recent installation, more than 210 million candlepower of light is spread over the field from 864 floodlights, each of some 1500 watt capacity. Their combined output would be enough to light every home in a city of 25,000 population. If this light were concentrated in a single unit it would make a newspaper readable more than 18 miles away. Distributed as it is, the illumination over Forbes Field is 19 times brighter than the average business man's desk.

• Fortunately, we at Westinghouse were able to bring to this exacting problem a long and highly varied lighting experience. Through the important contributions we have made to better lighting, stores have been made more attractive to shoppers; factories and offices more efficient for employees; school rooms more conducive to study; public thoroughfares, airports and river docks infinitely more safe.

that had threatened for weeks. It might have come any place. Yet it was a shock when it finally arrived.

At once the Texas authorities called a meeting for Aug. 1. Sinclair was the star attraction, but the representatives of labor, independent producers, and the big companies all trooped in. They were intent on finding out what imports of foreign oils were doing to the market as well as what should be undertaken to remedy domestic ills.

### **States Must Do Better Job**

High spot of the meeting was Harry Sinclair's declaration that they had been taking medicine out of the same bottle for a long time and it looked about time to hunt up another doctor. He asserted that states' efforts to hold up the price of crude was pinching the refiners who had to sell finished products in a sick market. And, to top it off, he predicted that it was up to the states to do a better job or he, for one, would favor turning the control of petroleum over to the federal government, bitter as that pill would be.

Later it developed that Sinclair is bringing in about 13,000 bbl. a day from Mexico under the agreement settling Consolidated Oil's part in the Mexican expropriation. So that this fact should not loom too large in the record, Patrick J. Hurley, counsel to Sinclair's companies and ex-Secretary of War, brought out the fact that Standard Oil (N.J.), through subsidiaries, is bringing in about 87,000 bbl. a day. (Figures for neither company necessarily represent imports for consumption in the United States as much is re-exported.)

Upshot was that Texas decided to declare two more oil holidays during August. It already had proclaimed seven days this month as production holidays, and the present action lops about 75,000 bbl. a day more off the state's average flow.

Success of present efforts to preserve prices was aided by some firming in gasoline quotations in the Middle West last week from recently prevailing subnormal levels. However, much still depends on the breath-taking Illinois fields.

### **Kept Uneasy by Illinois**

Production in Illinois continued its spectacular rise until it hit a peak of 456,800 bbl. a day in the week ended Mar. 16. Then it tapered off for a few weeks and the industry was in the midst of a sigh of relief when a whole batch of new wells were brought in. Daily production shot up until finally it topped off at 517,000 a day at the end of June. Now it has dropped sharply until 418,450 a day was recorded in the week ended July 27, and everyone is wondering what to expect next.

The ban on exports of aviation gasoline served to highlight this fuel's vital position in national defense. The Bureau

• Few fans ever dreamed the day would come when after dinner they could ride out to a stadium and watch a professional baseball game played under lights.

• Yet, the idea of night baseball was advanced as early as three decades ago. True, nothing was done about this so-called "fantastic dream" then. But twelve years ago, a minor league club toured the country with a portable lighting system and played before fans at night in much the same manner as a carnival troupe.

• Night baseball at last became a reality. And it proved increasingly popular, evidenced by the fact that in the past ten years it has developed in the minor leagues to a point where seven games out of every ten are today played under lights.

• In 1935 night baseball graduated to its first major league park. So rapidly has it caught on here that eight of the big league parks are now equipped with the most modern lighting facilities. And we are proud to say that five of these lighting systems were designed and installed by our own company.

• One has only to check the turnstiles to appreciate how eagerly the

**HE'LL NEVER BUY A TRAIN...**

*but he can pay fare*



For copy of interesting survey, "Budd Analysis of Changes in Transportation," write us on your business stationery  
EDWARD G. BUDD MANUFACTURING COMPANY • Railway Division • PHILADELPHIA



**Best Seller**



The new Budd train is the best seller in the railroad industry. It is the most comfortable, most attractive, and most economical train ever built. It is the only train that can be built in a short time and at a low cost. It is the only train that can be built in a short time and at a low cost.

**BUDD**

**METHODS SAFELY ELIMINATE DEAD WEIGHT**

"TO BE profitable," we told ourselves, "these new trains need only to be known."

So we decided to advertise them. Not just to the railroad fraternity, but to the public. Not merely to the men who buy trains, but to the people who buy tickets.

Philanthropy? No, we have a selfish interest in Budd trains even after they roll out of our Philadelphia shops. Anything that helps them, helps us. Consequently, we established a precedent by investing our own money to make these trains — which the railroads had already bought — known to the public.

We have tried to do the job *constructively*. We knew the public would not be interested in a campaign designed solely to glorify the Budd Company or that sought only to claim credit for our pioneering. But we believed the public wanted

to know about these new trains, and would patronize them if they did. So instead of trying merely to sell ourselves, we have tried to sell tickets for the railroads.

In national magazines and important newspapers we have told people about the luxury and beauty of these new streamliners, about their safety and economy. We have explained the significance of the SHOTWELD\* process and the value of through-and-through stainless-steel construction. We said the railroads were offering a brand-new service that would change all previous concepts of passenger comfort. We told where these trains were running. And we urged people to give them a trial.

People did. And Budd streamliners have increased traffic wherever they have gone into service. Today there are 33 completely Budd-built trains (and many individual cars) earning splendid profits for enterprising railroads.

\*Reg. U. S. Pat. Off.

**BUDD**

**METHODS SAFELY ELIMINATE DEAD WEIGHT**

of Mines reports that production of this extra-high-test motor fluid has been running around 900,000 bbl. a month. Home use is erratic, but averages about 400,000 bbl. a month. Exports have been as high as 692,000 bbl. (in May, 1939) and as low as 125,000 (in February, 1940). Average exports were 353,000 bbl. in 1939 and it is believed about

550,000 bbl. went abroad in June. Stocks in this country are about 4,000,000 bbl.

The country's total supply of gasoline, thanks to record disappearance, has been pulled down from just under 103,000,000 bbl. last April (the all-time high) to about 90,000,000 bbl. The total, nevertheless, still is so high that it promises to keep oil men in the anxious seat.

## 25 Cities—17 Up, 8 Down

**Business studies reasons behind new census figures showing population gains and losses in country's biggest urban markets. Trend to suburbs important.**

LAST WEEK the Census Bureau got around to releasing for business analysts the 1940 standing of America's 25 biggest cities. There are only two newcomers to the list—Houston and Denver, which edged out Jersey City and Portland—but the figures show that there have been some marked shifts in the relative standings of the 25 cities in the past decade:

1940 Rank	1930 Rank	Population (In Thousands)	% Change
1 New York	1	7,380 6,930	+6.5%
2 Chicago	2	3,385 3,376	+0.2%
3 Philadelphia	3	1,935 1,951	-0.8%
4 Detroit	4	1,619 1,569	+3.2%
5 Los Angeles	5	1,497 1,238	+20.9%
6 Cleveland	6	878 900	-2.4%
7 Baltimore	8	854 805	+6.1%
8 St. Louis	7	814 822	-1.0%
9 Boston	9	770 781	-1.5%
10 Pittsburgh	10	665 670	-0.7%
11 Washington	14	663 487	+36.2%
12 San Francisco	11	630 634	-0.8%
13 Milwaukee	12	590 578	+2.0%
14 Buffalo	13	575 573	+0.4%
15 New Orleans	16	492 459	+7.3%
16 Minneapolis	15	490 464	+5.5%
17 Cincinnati	17	453 451	+0.4%
18 Newark	18	428 442	-3.2%
19 Kansas City	19	400 400	+0.1%
20 Indianapolis	21	386 364	+6.0%
21 Houston	26	386 292	+32.1%
22 Seattle	20	367 366	+0.3%
23 Rochester	22	325 328	-1.0%
24 Louisville	24	319 308	+3.6%
25 Denver	29	318 288	+10.6%

As a matter of civic pride, the ranking of the biggest cities always has interest. But this year the official census figures have greater significance than perhaps ever before, for they demonstrate conclusively what students of vital statistics have been saying for years—that our great cities are “flattening out,” and are at or near their peak of population.

### “A Tremendous Migration”

Of the 25 biggest cities, eight actually show a population loss from 1930. The gain of the whole group is only 4.7%, about one-fourth of what it was ten years ago. And only five of the cities show an increase equal to or greater than the 7% to 8% gain which is estimated for the country as a whole. Director William L. Austin of the Census Bureau calls these preliminary reports indicative of “a tre-

mendous migration of city residents to suburban areas”—one of many census trends of major importance to business (see “Rebuilding the Cities,” *BW*—Jul 6'40, p33).

Figures for areas immediately tributary to large cities are not yet complete enough to assay the migration in all cases, but it is probably great enough to make up losses even in those cities which suffered most. San Francisco, for example, lost 4,000 residents, but the Bay Region gained 86,428 persons or 6.7%. Since opening of the two great bridges in San Francisco, there has been a wholesale movement to Marin, Contra Costa, and Alameda Counties, which have been suburban districts to San Francisco right along but previously were served only by ferry. Similarly, Philadelphia's loss of 15,000 residents is offset by a gain in the

suburban belt of approximately 50,000. And Cleveland, which lost 22,000, can point to sharp increases in adjoining counties.

The move to the suburbs—caused by such factors as improved transportation, the five-day week, and the expansion of electric and water service—is by no means limited to those cities which seem to have reached maturity. For example, Los Angeles' proud gain of 20.9% gain within the city limits is exceeded by the county increase of 25.8%.

The biggest percentage population increase of any city—Washington's plus 36.2%—is the one easiest of explanation. Census officials attribute the jump from 486,869 to 663,153 almost entirely to the doubling of government payrolls in the District of Columbia. Denver, sometimes called the “second Washington” because of the number of federal employees in the city, has also benefited from increased government payrolls. Establishment of the Air Corps Technical School in Denver, which employs approximately 2,000, was one substantial contribution to the city's growth of 30,000 persons.

### Oil's Achievement

Houston's gain of 32.1% is the country's most spectacular. With the opening up of the East Texas oil field, Houston has become the largest concentration point in the world for oil field supply companies. The oil industry furnishes the means of livelihood to more than half of the city's population, directly employing something like 50,000 people. Improvement of the channel from the city down to the Gulf of Mexico has brought bigger

### Census Data: What's Out and What's Coming

ADDING UP AMERICA is a big job—one that will keep the Census Bureau's huge “figure factory” busy for long months to come. But the Bureau is trying to put as much material in the hands of business men by December as possible, for whatever use it may have in building plans for 1941.

By this week, preliminary figures had been issued covering the following: Population of 237 cities of 25,000 and over; population by counties for four states—Delaware, Maine, Nevada, and New Hampshire.

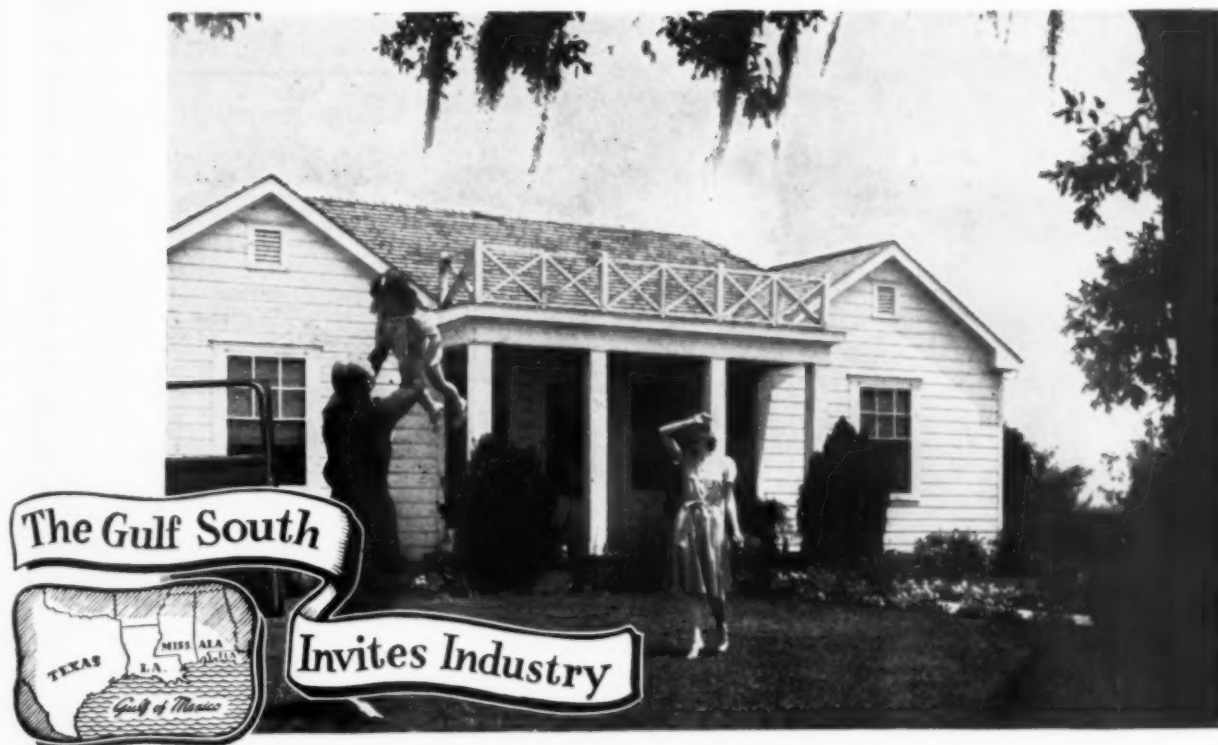
“First series” reports, showing number and distribution of inhabitants by counties and cities, will be completed by year-end. These will be followed by the second series showing characteristics (white, native-born, age-groups, etc.) of the population. Then will come a family breakdown; then an occupational count; then an unemployment count. A 5% overall sample of unemployment will be drawn off in the meantime, but even this will not

be available before Dec. 1, which will put it beyond political campaign use.

The first of the distribution census reports will be coming through in a week or two, by states, cities, and counties. These show retail, wholesale, and service establishments, by number, sales, employees, and wages paid.

First agriculture census reports (starting with Rhode Island) are expected early in September. Housing information will be out by the year-end.

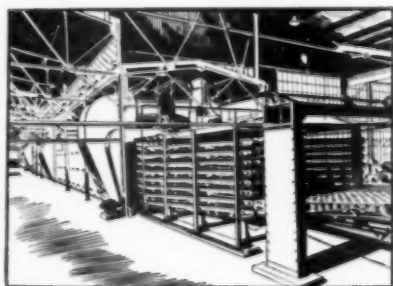
The Defense Commission has called for preliminary reports on 37 industries closely allied with national defense, and these breakdowns have been rushed by the Census Bureau. Sixteen such reports have gone to the Commission so far, will be available to the public in about a month. Regular preliminary reports on industries which have no particular connection with defense are ready to begin trickling out. Lumber, wallpaper, and carpets will be released soon.



## . . . to Live and Work in a Friendly Land

● Gulf South people know living at its best—in this mild climate the average family can enjoy life economically.

Like its people, the Gulf South countryside is friendly and inviting. Excellent highways, Gulf and inland waters, and temperate winters offer unlimited opportunities for year 'round outdoor recreation.



This gas-fired roll dryer with automatic feeder operating in a Gulf South plant served by United Gas Pipe Line Company illustrates an application of Natural Gas in industry.

The typical Gulf South home is modern and comfortable in a setting of trees, with flowers blooming nearly every month of the year. And the same clean, dependable Natural Gas that serves Gulf South industry is used in most homes—a priceless convenience in itself.

Beyond living at its best, the Gulf South offers industry swiftly growing markets—quick, convenient transportation—ample power

—native, white, reliable, intelligent labor—plentiful land—and an abundance of raw materials.

Industry is decentralizing southward to a friendlier atmosphere. Move to the Gulf South where you are wanted and appreciated by your neighbors.

Without obligation, let us make a confidential survey for you to meet the requirements of your industry.

For information on GULF SOUTH opportunities write to  
DIRECTOR OF INDUSTRIAL DEVELOPMENT

## UNITED GAS PIPE LINE COMPANY

FOR TEXAS, Mail received at: Beaumont, Beeville, Dallas, Fort Worth, Houston, Longview, San Antonio and Wichita Falls. FOR LOUISIANA, Mail received at: Baton Rouge, Lake Charles, Monroe and Shreveport. FOR MISSISSIPPI, FLORIDA and ALABAMA, Mail received at: Jackson, Mississippi.

ALL INQUIRIES CONSIDERED CONFIDENTIAL



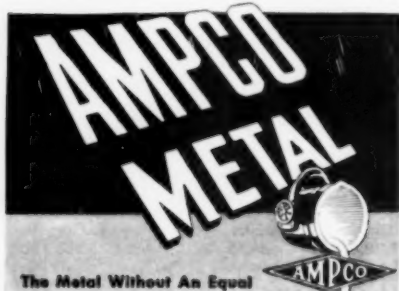


**Pounding its way over the rough going of a construction job with twists, shocks, and strains at every turn, a heavy duty motor truck with a combined chassis, body, and pay load weight of approximately 75,000 pounds — is subjected to real punishment on its spring-seat bushings. Small, but vital, these bushings must be able to take stress and strain every minute of the working day.**

**The truck manufacturer** (a nationally famous make of heavy-duty truck) uses Ampco Metal for these spring-seat bushings because it alone has sufficient "guts" not only to stand up under heavy loading and shock, but it also is highly resistant to the sand and grit encountered in this severe service.

**When your products need a bronze that can stand up to and lick breakage, deformation, fatigue, corrosion and abrasion, you've got a job for Ampco Metal. Get full facts — write**

**AMPCO METAL, INC.**  
Department BW-8, MILWAUKEE, WIS.



freighters into Houston, and it is now the country's second port in seaborne tonnage.

Of the over-a-million cities, Los Angeles is the only substantial gainer. New York and Detroit are up 6.5% and 3.2% respectively, but the area of both cities has been increased slightly since 1930. And immigration, though now slowed to a trickle, has undoubtedly helped New York. Los Angeles, up 20.9%, still has plenty of room for expansion. Its climate makes it a mecca for retired persons, and the city has aggressively gone after branch plants. Then, of course, growth of the movie industry, and, more recently, aircraft manufacture has helped.

#### Helped by Industrial Variety

Aside from Washington and New York, the only big city in the industrial East to show a substantial gain is Baltimore, which attributes its plus 6.1% to a healthy variety in industry. For generations, local business men explain, the industries of Baltimore have been so diversified that the city does not feel slumps as quickly as most cities. Factors in the city's growth in the last ten years have been the establishment of two General Motors plants, together employing about 2,500; new Westinghouse and Bendix plants for the manufacture of radio apparatus, giving work to 1,500; expansion of the Glenn L. Martin Airplane plant, which employed 2,000 workers in 1930 and now employs 11,000; and increased activity at Bethlehem Steel's shipbuilding plant, which employed 14,000 in 1930 and now carries 24,000.

Like Houston's, New Orleans' population growth has been lubricated with oil. During the past ten years the development of the oil industry in Louisiana has sped forward in gusher proportions, with each year showing gains in both production and discovery of new fields—gains that are undoubtedly reflected in New Orleans' 7.3% population growth.

Minneapolis fell 10,000 short of its coveted goal of half a million but its gain of 5.5% was scored in the face of increases averaging around 40% in a ring of eight suburban towns. Neighboring St. Paul (which is not one of the 25 biggest) was up 6.5% to 288,023.

#### The Appliance Parade (Unit Sales)

	Jan.- June 1939	Jan.- June 1940	% Change
Refrigerators	1,414,261	1,868,143	+32.09%
Elec. Washers	677,963	727,790	+7.35%
Ranges	170,704	228,730	+33.99%
Water Heaters	46,623	55,102	+18.19%
Floor Cleaners	560,880	759,779	+35.46%
Hand Cleaners	145,377	171,282	+17.82%
Ironers	61,121	65,749	+4.30%
Roasters	73,723	70,299	-4.64%

Data: From National Electrical Manufacturers Association and Vacuum Cleaner Manufacturers Association.

## MARKETING

### Too Many Iceboxes?

**Refrigeration business is worried over heavy sales volume at expense of unit profits.**

IT'S NEWS when a manufacturer worries because sales are too good, and that's just what's happening in the refrigeration business. The reason is simple: Figures just available show that more home refrigerators were sold in the first six months of 1940 than ever before, yet, because prices are down, the industry is headed for one of its poorest profit years. Manufacturers are mum about unit profits, but a good guess is that their net won't be half of last year's.

#### Public Turns to Bigger Boxes

Yet the industry is in better shape than some of its members predicted when, early in the year (*BW—Jan 13 '40, p. 41*), Kelvinator brought out a new line of low-cost models that precipitated the industry's first fever of price-cutting. Kelvinator's move was planned six months ahead as part of a complete reorganization job, including revamping of distribution with a careful pruning of outlets, and concentration of production on fewer models. Other manufacturers were caught short. They cut prices to meet Kelvinator, but hadn't the time to provide logical step-ups in price in their lines.

That's when observers were predicting that the average unit price would fall from last year's \$169 to a disastrous \$140, or less. But it hasn't gone that far—just down to around \$151, and the reason is that the public is buying bigger boxes. Last year, 32% of the boxes sold were under 6 cu. ft.; this year just 10%. In 1937 (the industry's biggest previous year) the 6 ft. to 7 ft. size had 42% of the market; last year it had 58%; but this year, with lower prices, it has nearly 80%. And now nearly 10% of all buyers want a box even bigger.

#### Not Without Compensations

The trend has two bright angles: Concentration on large sizes will bring manufacturing economies; and consumer dissatisfaction with small boxes will spur the replacement market. Refrigerators are now installed in nearly 60% of all wired homes, and "saturation" is an ugly word to some members of the industry. Others say there is no such thing as a saturation point; that improvements, and the trend to bigger sizes, will make old models obsolete.

One thing is sure—manufacturers will design next year's models for easier "trading up." And there is considerable talk that, additionally, price "adjustments" will be in order.

## Self-Serve Druggist

Katz chain of Kansas City adds two more "cafeteria" units after test store makes good.

IKE AND MIKE KATZ of the Kansas City Katzes unblushingly admit that they are the world's leading cut-rate druggists. But what Ike and Mike refused to admit last week was that their latest venture—a self-service drug store opened as a test five weeks ago—had influenced their current plans for expansion. Apparently it has. Two more self-service stores are to be added to the Katz chain as soon as possible, bringing the total number of outlets to 16, of which 10 are located in Greater Kansas City.

### Super-Market Idea Adopted

One of the new stores will be located in nearby Independence, Mo. It will be comparatively small, like the present test unit, which is located directly across the street from Sears suburban retail store and district warehouse which (as eight out of 10 Katz self-service customers will tell you) has a parking lot for 1,000 cars, which is supposedly for Sears' customers.

The other store will be a super-market affair in the heart of the city's apartment house district, with 6,500 ft. of floor space, a large parking lot, California type entrances and all the accessories that go to make a super-mart.

Visualize a 50-ft. front neighborhood A&P. store with its meat department replaced by a prescription counter, with turnstiles set back about 30 ft. from the front entrance, the customary low shelving, islands of merchandise in the center of the floor, and you have the Katz self-service test. When business is not too rushing, three people can run the place. The prescription man doubles at clerking and keeping an eagle eye on things. One cashier officiates at the turnstile (there is a second turnstile and cash register for rush hours), and a fellow up front supervises the stocks of liquor, tobacco, and candy which are not included in the main self-service areas of the store. Actually, the store is about 75% self-service. The test unit has no soda fountain, but new stores will have them.

### Gets the Customers

Competitors who have been keeping pretty close tab on trade at the self-service unit are gratified that it has not offered prices lower than the already rock-bottom schedule prevailing in other Katz stores. At the same time, they are a bit surprised at the number of customers filing through the turnstiles daily, apparently pleased to be able to shop in the hunt-and-pick manner after scanning the weekly double-page Katz ads in the Kansas City Star.

Due to limited space, the self-service

*Cutting your  
Cost of  
Cutting  
Metal*

In 100 Years of private enterprise, Disston has developed a complete line of metal-cutting saws and files to help you make a better profit ... Bite-Rite Files, Di-Mol Hack Saw Blades, Metal Band Saws, Inserted and Solid Tooth metal-cutting circular saws. Ask your distributor of Disston products to help you solve your metal-cutting requirements with Disston products. Henry Disston & Sons, Inc., Philadelphia.



**DISSTON**  
FILES AND SAWS FOR  
THE METAL-WORKING INDUSTRY

DISSTON HAS THE EDGE

test store does not carry nearly as complete a line of merchandise as the downtown Katz stores. On its shelves are most of the standard nationally advertised drugs and sundries, but conspicuously absent are radios, auto accessories, women's hosiery, haberdashery, and toys.

The self-service store in the Katz organization does not quote attractive case lot prices on liquors and beer like the others in the chain.

Other druggists in Kansas City and vicinity would not object if Katz revamped the entire chain into self-service. What they fear most is that the Katz trend is now toward small neighborhood stores—a field that Katz avoided until the self-service test was started. If the small store whose establishment has been undertaken in the little county seat town of Independence really makes good, Katz might be in the hair of every druggist in Kansas and Missouri before long.

## Brokers Dodge R-P Boomerang

**Food men who fought for the act were worried when chains switched to direct buying, but now agents benefit from renewed loyalty of various producers.**

OF ALL THE PROHIBITIONS in the Robinson-Patman law, perhaps the most explicit—and the most rigorously enforced—is the ban on splitting brokerage commissions with buyers. Food brokers thought that provision of the law would be the salvation of their business, and they hailed with particular satisfaction the Supreme Court ruling which finally compelled the Great Atlantic & Pacific Tea Co. to forego brokerage kickbacks. But the big chain found a way around

the decision it discourages purchasing from any seller who employs a broker and recommends buying direct from producers who cater to big buyers and who consequently can sell without discrimination at prices equal to the old prices less brokerage.

When A. & P. first announced, last winter, that brokers were taboo to its buyers, half a dozen canners in the tri-state Delmarva area—Delaware, Maryland, and Virginia—abandoned brokerage, became exclusively direct sellers. A couple of dozen fruit and vegetable canners elsewhere followed suit. A considerable number of the suppliers of dry beans and Maine sardines went on a direct basis. And the National Food Brokers Association, composed of about 1,000 of the 1,700 general line brokers, did a little unofficial, tentative boot-shivering.

The industry directories list 3,000 food brokers, but many of these are clustered in ports of entry where they handle special line imports or exports, and another large unit consist of brokers in the South who handle heavy lines for plantation suppliers, such as hay, feed, and sowbelly. N.F.B.A. claims that 1,700 general line brokers sell approximately \$6,500,000,000 wholesale value of food and grocery products every year, at an average gross commission of 2.52%. Brokers, proud of their low-cost efficiency, resented not only the threat of lost revenue, resulting from A. & P.'s move, but also the slur on their usefulness implicit in the spread of direct buying through the grocery trade.

### Producers Lend a Hand

N.F.B.A. officials worked their heads off for enactment of the R-P law, and when A. & P. pushed direct purchasing, brokers piously hoped their favorite law had not backfired loud enough to cause a stampede. Extremely effective in halting the movement was the prompt action of a few producers who elected to take the other side, announced that thereafter they would sell only through brokers.

Especially prominent in this counter-attack, because of being so close to the Delmarva canners' defections, was H. J. McGrath Co. of Baltimore, packing a general line of Maryland fruits and vegetables. McGrath pointed out that 25% of his total business had previously been sold direct and that he expected his brokers not only to make up this lost volume but also to double in 1940 his 1939 sales totals.

This week the N.F.B.A. news letter



*You can't miss the big signs which advertise the self-service Katz Drug Store in Kansas City, Mo., which was opened five weeks ago to test the idea. The store has been so successful that its owners—Ike and Mike Katz—are planning two more stores just like it,*

*one in Independence, Mo., and another in Kansas City. Like all the other people living in Kansas City, Katz customers can tell you that Sears, Roebuck & Co. operates a parking lot for 1,000 cars just across the street—supposedly for Sears customers.*







# Both Relieve Hay Fever

## CARRIER ROOM VENTILATOR

Easily installed in window of home, office, nursery or hospital room. Shuts out dust, pollen, noise. Brings in clean air . . . cool night air for comfortable sleeping. With Carrier Pollen Filter, it is accepted by American Medical Association for pollen elimination.

**\$61<sup>50</sup> AND UP**

## CARRIER ROOM WEATHERMAKER

For comfort where you live and work—in and out of hay fever season. Removes 99.5% of pollen from the air. Cools, reduces humidity, ventilates and cleans all the air all the time . . . provides heating and humidification, if desired, for cool weather. Plugs into any electrical outlet, needs no other connection.



## BOTH EFFECTIVELY REMOVE POLLEN FROM THE AIR

Yes, you can do something about hay fever. You can bring the weeks you lose each year back into your life—and live them normally.

Carrier is bringing relief to hay fever sufferers in every part of the country—right in their own homes and offices. Authoritative tests demonstrate conclusively that the Carrier Room Weathermaker\* and the Carrier Room Ventilator effectively remove pollen from the air

inside the room, and from the air they bring into the room.

Why not give yourself—and other members of your family—relief now from hay fever? And in addition, enjoy the other comforts that Carrier Air Conditioning brings, not only during the hay fever season but all year. Call your Carrier Representative today. He is listed in your classified phone book. And remember—when you call Carrier, you call air conditioning by its first name.

\*More Carrier Room Air Conditioners are in use than any other make.



August 14—Hay Fever Day at the Carrier Igloo of Tomorrow, New York World's Fair. See the "Human Furnace" . . . cool your feet at the "Cold Dog Stand."

**CARRIER CORPORATION** DESK 10BW  
"Weather Makers to the World"  
SYRACUSE, N. Y.  
(In Canada: 30 Bloor St. West, Toronto, Ont.)

Please send me complete details on pollen removal with

- ☐ Carrier Room Weathermaker  
☐ Carrier Room Ventilator

NAME .....

COMPANY .....

ADDRESS .....

AIR CONDITIONING'S *First Name*—

**Carrier**

happily detailed to its membership the results to date of the McGrath experiment. For the first couple of months his sales showed a substantial increase, but were far short of the ambitious quota. Then the monthly increase soared above 100%—and stayed there. Now McGrath reports that sales for this year will almost surely average at least 100% above 1939—because the brokers are really out selling for him. The case makes a lovely example to cite to any other grocery manufacturer, canner, processor, or packer who gets unsettled ideas about the brokerage function and its cost.

### Business and Morale Improve

N.F.B.A. estimates that of 3,500 fruit and vegetable canners in this country, less than 50 have shifted to some form of direct selling since A. & P. went on the warpath and that the proportion in other grocery lines is no greater. This negligible loss of brokerage revenue is admittedly chargeable to R-P repercussions. But the brokers declare that their business has been improved as R-P provisions have one by one been upheld in the courts.

An informal sampling of its members by N.F.B.A. indicates that their 1939 gross earnings showed gains anywhere from 2% to 25% over the same period of 1938, and that 1940 figures are holding at almost exactly the 1939 level. The brokers count this an actual gain, since forward purchasing by distributors in the late months of 1939 crowded into 1939 totals much volume which would normally have occurred in 1940. Also, forward purchasing in 1940 has been cut.

But more spectacular than the sales gain is the perceptibly improved morale among food brokers as they see the shift to direct selling halted and as they get returns like this week's from McGrath.

### Mail Order to Hawaii

AFTER TESTING the Honolulu market with a display office last September, Sears, Roebuck & Co. will invest some \$600,000 in a combined retail store and warehouse there. Store is scheduled to open around Mar. 1, 1941.

Significantly, the new store is located in the residential district. It will have 40,000 sq. ft. of selling space, 10,000 sq. ft. for garage service, 50,000 sq. ft. for retail and mail order warehouse space.

### Nylon Results

FIRST BLACK-AND-WHITE PROOF that nylon stockings have lived up to fond expectations—at least as far as the sales picture goes—came from the National Association of Hosiery Manufacturers this week. Shipments of nylon, totaling 586,737 dozen pairs to the end of June, represented 3% of the total women's full-fashioned hosiery business in the first six months of 1940, although nylon stockings didn't go on general sale until

May 15 and manufacturers thought it unlikely that there would be enough of the new yarn to supply more than 5% of the market this year (BW—May 11 '40 p. 38).

Nylon's big slice of the full-fashioned hosiery business is partly accounted for by a worse-than-seasonal decline in sales of silk stockings. Total sales of women's full-fashioned hosiery were off 4.6% for the first half of the year from the 1939 mark (7.5%, excluding nylon), and slipped down further to 13.3% under in June. Individual retailers say sales of nylon, though they flattened out after the first buying rush, are holding steady.

### P.S.

IDEA that fresh fruits and vegetables are used extensively as loss leaders by independent grocers is blasted by a survey conducted by C. N. Palmer, acting for the National Advertising Committee of the produce industry. In 4,000 cost-and-price calculations in selected grocery stores in Illinois, Iowa, and Minnesota, Palmer found only seven cases, all in Chicago, where items were sold at or below cost. Contrarily, the report finds that sales of fresh fruits and vegetables are retarded by too-high mark-ups—which averaged from 40% to 78% on 29 standard commodities. . . . NOW THAT one newspaper, New York's new *PM*, has started reporting ads in other papers as news, radio has followed suit. Last week, the Warren Norge Co. began sponsoring over WMCA (New York) a program "Good News in Advertising," which reports on outstanding ads in the papers. Sponsor's own advertising is limited to "good-will" copy.

## PRODUCTION

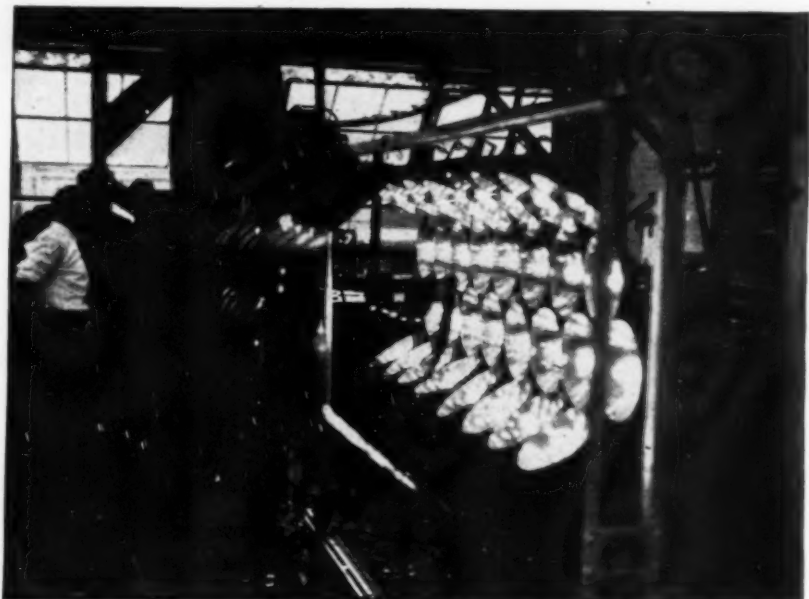
### Paint Jobs Speeded

**Infra-red rays find an increasing variety of uses in auto, rubber, and other industries.**

TO R. N. GREEN, manager of development and engineering of Fostoria Pressed Steel Corp., the process of aging ham to that "authentic country-cured flavor" in seven weeks instead of one to two years (BW—Jul 6 '40 p. 30) is something short of startling news. His company, which has long since been promoting the use of "near infra-red energy," has been co-operating with Boston Edison Co. in applying the heating rays to the curing of hams in a New England packing house. Tests aren't entirely complete, but there is a big possibility that hams can be cured in seven hours, not weeks, or less.

First application of infra-red heat produced by electric bulbs or lamps probably came in therapeutic lamps which still find increasing employment in relieving sore backs, easing toothaches, reducing swellings in sprained ankles. Then came the day when an unnamed garage worker sought to hasten the drying of some lacquer covering a scraped fender. Either he brought into play a therapeutic lamp from his home or pressed back into service an old-fashioned carbon filament lamp, long since discarded because it threw off more heat than light. In any case, the lacquer dried in a fraction of the time that is required for normal air drying.

Not long afterward Ford Motor Co.



This portable Fostoria Infra-Red Tunnel is set up for demonstration purposes only. In actual operation—

depending on the work to be done—the lamps can be adjusted to heat flat as well as curved surfaces.

Electrical Contracting

# "ADMIRED by all who see it"

FORD MOTOR COMPANY  
DEARBORN, MICHIGAN  
Gentlemen:

Our new Ford 85-hp panel delivery is the first Ford we have had in several years. We can sincerely say that we are more than pleased with its economical running and outstanding performance. This car is on the road 6 days a week, rain or shine, and it really gets some tough use. We average about 50 orders a day and about 160 on Saturday. We are not only proud of its performance but also its beauty. Believe me, it sure is a beautiful-looking truck and admired by all who see it. Even our customers tell us they're proud to have it stop in front of their homes.

We have just completed 40 years in the grocery business at this same location, during which time we have had a number of Ford trucks and were always satisfied with everything.

In closing let me say we are proud of our record in the grocery business and also to be back as a Ford booster.

Respectfully yours,

[Signed] M. W. DYKSTRA  
Dykstra Food Market  
934 Eleventh St., N. W.  
Grand Rapids, Mich.

● Beauty, in a Ford, goes more than skin-deep. These are units that are built clear through for long, dependable service. The V-8 engine has turned in billions of miles of economical performance in all kinds of hauling and delivery work. It is typical of the quality and workmanship that go into every part of the chassis and body. While the Ford Commercial Car is kept in the lowest price bracket, it incorporates features and design found elsewhere only at much higher prices. Arrange with your Ford dealer to make an actual "on-the-job" test and prove these points in your own business.

● Ford Motor Company, Builders of Ford V-8 and Mercury Cars, Ford Trucks, Commercial Cars, Station Wagons and Transit Buses

Visit the new Ford Expositions at the two Fairs, New York and San Francisco, 1940



## Ford V-8 Trucks



AND COMMERCIAL CARS





## A Business Machine

Arnold Genthe

INTERNATIONAL BUSINESS MACHINES CORPORATION  
World Headquarters Building, 590 Madison Avenue, New York, N.Y.

### At Both Fairs—

## CONTEMPORARY SCIENCE and ART *representing* the UNITED STATES

... are combined in two unusual exhibits, each of which displays the talents of fifty-three painters—representing each state, territory and possession—and three hundred International Business Machines Corporation research engineers and their assistants. These exhibitions will be interesting and enlightening to all who have an opportunity to visit them in the company's Galleries of Science and Art:

WORLD'S FAIR OF 1940 IN NEW YORK  
*International Business Machines Corporation's building*  
GOLDEN GATE INTERNATIONAL EXPOSITION  
*Palace of Electricity and Communication*

### Schick Grows Up



The electric shaver industry is generally considered a new one, but the pioneer in the business—the Schick Dry Shaver—is already old enough to require a complete redesign job. It got one this week for its tenth birthday. Raymond Loewy did the job; the line of redesigned models, all with hollow-ground shaving heads, ranges in price from \$9.95 to \$17.50. Sales promotion for the new shavers will be on a grand scale: The campaign, aimed at the Christmas gift trade, will feature 29 advertisements in national magazines.

installed a "tunnel" filled with infra-red lamps to speed up the drying of lacquered automobile bodies. Finish manufacturers like Ault & Wiborg Corp. and Berry Bros. developed lacquers and other coatings especially for infra-red drying. Fostoria and other manufacturers devoted themselves to the business of designing and building infra-red reflectors, portable and stationary tunnels, fixtures of all kinds to direct the heat of one to 72 and more lamps (some special installations have hundreds of lamps) at the proper spot. Lamp manufacturers, like General Electric and Westinghouse and North American, who had been trying to find ever cooler lighting sources, also began to seek ever hotter infra-red sources.

Some of the smaller lamps have carbon filaments, but the bigger ones in sizes up to 500 and 1,000 watts have tungsten filaments like those in regular Mazdas.

Reflectors for infra-red lamps in normal, fumeless, non-corrosive atmospheres are plated with gold, which seems to give optimum service in throwing heat right where it is wanted. Aluminum alloy reflectors get the call where conditions involve fumes and frequent cleaning. For

certain especially difficult locations, lamps are available with inside reflectors. That reflectors of some kind must be used for full efficiency is indicated by tests where in a reflectorless lamp raised the temperature in a given spot only 2.2 deg. F; with a reflector the heat jumped 59 deg.

#### Drying Time Slashed

Typical of infra-red efficiencies in drying paints and lacquers is the drying of paint on automobile license plates in 14 minutes electrically, as against an hour and 50 minutes by steam. Lacquered sheet metal furnace covers, subjected to an infra-red heat of 325 deg. F, dried in 8½ minutes, as against 30 minutes by an older method. Heavy iron castings take 25 minutes, instead of a former hour and a half; aluminum die castings, 8 minutes vs. 70. Secret of the speed seems to lie in the fact that infra-red rays permit finishes to dry from the bottom up without skimming over.

Extensions of infra-red heat in fields other than finishes are multiplying fast: a chemical company is dehydrating granular chemicals; a rubber company is drying dipped latex products; printers are drying their paper before printing and drying their ink thereafter; a candy firm is case-hardening gum drops.

Whatever the business, the various manufacturers seem to be unanimous in agreeing that both the speed and the compactness of their equipment combine to relieve production bottlenecks before they happen. And when the day is done, the infra-red lamps can be turned off like any other electric lamps.

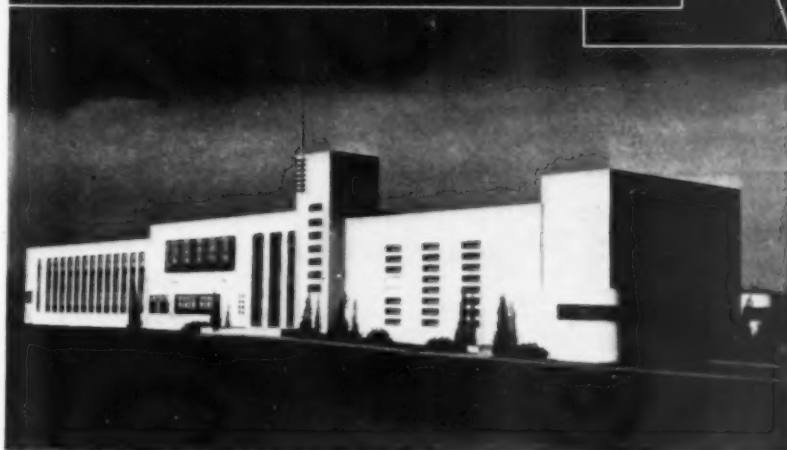
### T.N.T. from Gasoline

**Shell Oil Co. preparing to build toluene plant as adjunct to its Houston refinery.**

HAVING DEVELOPED a process all its own for making toluene (same thing as toluol and methyl-benzene for T.N.T. explosives), Shell Oil Co. announces from its St. Louis headquarters the immediate construction of a toluene manufacturing plant at its Houston (Tex.) refinery. For the sake of the record, Shell is not the anonymous petroleum company previously reported to be getting into toluol manufacture under the Universal Oil Products Co. patents (BW—Jun 22 '40, p30; Jul 27 '40, p39).

Production contemplated will be 2,000,000 gal. of toluene annually, which could be stepped up to 7,000,000 by adding a "supplementary process." Similar plants could also be added to Shell's other refineries in Illinois, California, and Louisiana, but like officers of some other large companies, Shell executives hesitate "to invest large amounts of capital in plants for the production of war materials unless there is some assurance the investment may be amortized during the period of

# Business that's really BIG goes in a big way for economical CONCRETE



Senior High School and Junior College at Bartlesville, Okla. Designed by John Duncan Forsyth, A.I.A.; Charles M. Dunning, contractor.

EDUCATION is not only one of America's biggest businesses, but one in which many millions of dollars are spent annually on construction. And, because school construction forged ahead while commercial building was at low ebb, many architects specialized in schools. Today, these buildings represent the highest degree of structural development and architectural thinking.

Firesafe concrete construction proved good business for schools because it delivered good appearance at low first cost and assured

low maintenance. Isn't it reasonable that concrete is equally good business for factories, theaters, stores and other commercial structures?

Ask your architect or engineer about the advantages of concrete. Write for illustrated booklet, "The NEW Beauty in Walls of Architectural Concrete," (mailed free in the U. S. or Canada) or ask for a representative to call.

### Architectural Concrete

... Combining architectural and structural functions in one firesafe, enduring material

PORTLAND CEMENT ASSOCIATION, Dept. 8b-12, 33 W. Grand Ave., Chicago, Ill.

A national organization to improve and extend the uses of concrete... through scientific research and engineering field work

high demand which is expected as a result of the rearmament program."

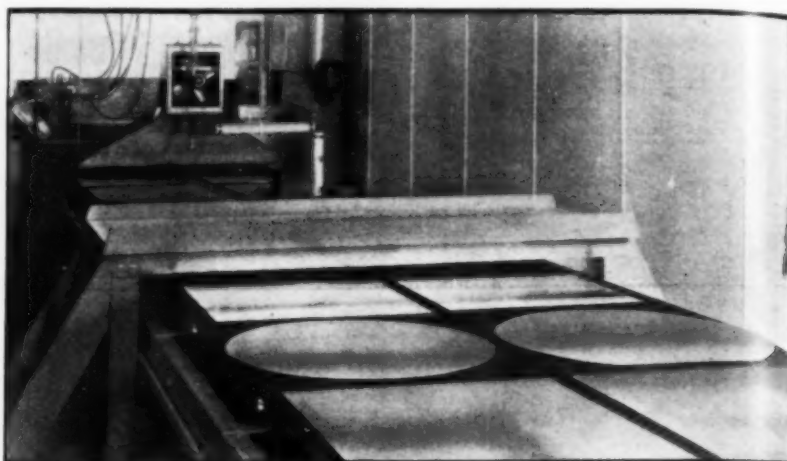
Shell President Alexander Fraser says that his company is also ready to build a full scale plant for the production of butadiene for synthetic rubber, "but action in this direction is also dependent on the amortization legislation."

Principal source of T.N.T. ingredients has been the by-products of coking in steel manufacture, and production has often been both scant and costly. Estimates are that less than 20% of present U. S. annual gasoline production would supply better than 85,000,000,000 lb. of T.N.T. and related explosives.

### Non-Skid Pavement

HYDROCHLORIC ACID—which etches and roughens surfaces—makes concrete pavement safer in rainy weather by increasing its skid resistance. Experiments made before the war by the Road Research Board of London and detailed this week by the American Public Works Association also showed that the rougher pavement was more durable under traffic. In the tests, areas varying in size from five to 50 square yards were used—each area doused with one gallon of concentrated hydrochloric acid.

### Untouched by Human Hands



Just outside the far wall of this dust-free, air-conditioned room in the High Point, N. C., plant of the Logan Porter Mirror Co., pieces of plate glass are laid flat on a conveyor belt. They pass through a series of automatically controlled sprays of distilled water and silver-depositing

solutions piped from a laboratory above. Before they leave the room as finished "Master Mirrors," they are coated automatically with a protective backing paint. Not until they have been carried out of the room on the same conveyor are they touched by human hands.



**T**HE white hot tube glides along—one continuous piece of perfectly formed tubing—to be cut into specified lengths of pipe.

The saw must travel with the tubing, when it cuts. No stopping—no interruptions—continuous production.

The operation of the saw-motor is governed by EC&M Control. Accurate operation is vital. Under the EC&M system of control, all pipes are cut uniform in length and exactly to specifications.

This is typical of EC&M Motor Control—engineered to the task. Put your motor control problems up to EC&M.



**THE ELECTRIC CONTROLLER & MFG. CO.**  
2684 E. 79th STREET CLEVELAND, OHIO

*Look for this Trade-Mark when you buy—  
specify it when you order*

**MOTOR CONTROLS • BRAKES • LIMIT STOPS • MAGNETS**

### Plant to Liquefy Gas

Natural fuel will be condensed for storage to meet any emergency in Cleveland.

THREE TANKS, each looking very like what the World of Tomorrow calls a Perisphere, will soon be in evidence on the Cleveland segment of Lake Erie's shore. Constructed of special nickel steel, the spheres will function as giant thermos bottles for the storage of liquefied natural gas. They will represent one aspect of an engineering project whereby the East Ohio Gas Co. (subsidiary of Standard Oil of New Jersey) intends to make certain a year round reserve supply of natural gas, regardless of cold waves or other emergencies.

### Safeguard for Defense Work

Much national-defense work is now being done in Cleveland in plants using natural gas. Metal industries in particular are dependent on this fuel for their furnaces. At times, in recent severe winters, the drain on the East Ohio pipelines (from Ohio and West Virginia fields) has been so great that the company has had to shut off its supply to industries in order to care for domestic consumers. The work now going forward is designed to prevent such crises, and will thus act as a safeguard for whatever national-defense jobs are going forward in gas-fueled factories.

Obvious reason for liquefying the gas is that it takes up less space in that form—



only one six-hundredth as much, in fact. Under the direction of C. E. Gallagher, East Ohio's president, and H. C. Cooper, gas engineering expert, plans have been drawn for a million-dollar plant, which is to be completed by late fall, capable of storing 150,000,000 cu. ft. of natural gas reduced to water-like consistency.

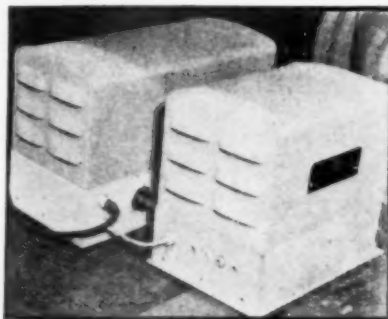
Liquefaction will be accomplished by "a combination of compression, refrigeration, and expansion." The plant will function as two units—one to reduce and store the gas, the other to revaporize it for distribution through the city mains at the proper time. The gas that is to be stored will be drawn from the mains in the fall before consumption has begun to approach a peak. After going through a process in which liquid ethylene, ammonia, and water are used as agents, it will find its way to the storage tanks.

Each tank is a sphere within a sphere, the inner one having a diameter of 57 ft., the outer one a diameter of 63 ft. The space between the inner and outer spheres is insulated with cork. Republic Steel will manufacture these tanks.

Compressors, condensers, heat exchangers, and other units of the liquefying and revaporization processes will be in a building 145 ft. long, 26 ft. wide.

A new pipe line from the West Virginia fields to augment Cleveland's gas supply would cost many millions of dollars, and according to the best estimates could

### Calling All Linemen!



Ten service cars and trucks belonging to the Indianapolis Power & Light Co. will be equipped with this type of lightweight frequency modulation transmitter and receiver for two-way communication with the office. Company officials say they expect a significant speeding up of service. For instance, if a line is down, headquarters will be able to dispatch the nearest truck to the scene almost immediately. The General Electric 25-watt mobile transmitters are expected to give service over an even greater area than the best of previous 250-watt amplitude modulated transmitters.

the "parade of industries" into

## Pennsylvania

may point to profits for you



THE COMPANY which obtained exclusive right to use a new type of rubber in toys, advertising novelties, etc., has just opened a large plant in a Western Pennsylvania town.



A FIRM MANUFACTURING airplanes for private use has just come to Pennsylvania, has found a satisfactory building where it is now in production, and has made plans for building a permanent plant here.



A COMPANY manufacturing paper box board, folding cartons and shipping containers has just come to Philadelphia, invested \$135,000 in a plant and is preparing to invest \$35,000 more in an addition.

Recent construction of new plants and additions to old ones have been greater in Pennsylvania than the reported total of any other state.

Pennsylvania's wealth of natural resources . . . its proximity to rich markets . . . its record-low rate of labor troubles . . . its prosperous agriculture . . . its State Government which is genuinely helpful to business . . . all these make Pennsylvania an ideal location for industrial plants. If you are looking for opportunities for your business, write to the Department of Commerce, Harrisburg, for the booklet, "Pennsylvania—Its Many Industrial Advantages."

## Pennsylvania

where your business can expand



ARTHUR H. JAMES, Governor • RICHARD P. BROWN, Secretary of Commerce

deliver about 2,000,000 cu. ft. an hour. The liquid gas plant, costing \$1,000,000, can deliver 3,000,000 cu. ft. an hour.

### New Line of Finishes

LONG A SPECIALIST in the porcelain enamel field, Ferro Enamel Corp. of Cleveland started to spread itself in 1939 by entering the raw pigment field with a line of Ferro pigments for pottery glazes, plastics, synthetic finishes, inks, glass and porcelain enamel. Last week it spread still further with the new line of Vedoc synthetic finishes for use on sheet metal products of all types, to be manufactured by a wholly owned subsidiary, Liquid Plastic Corp., in a new plant adjacent to the Ferro plant. The new line comes in answer to a demand for a finish which fuses at lower temperature than porcelain enamel for "lighter gages, seamed or welded parts, and stampings of complicated design not suitable for porcelain enameling." The name Vedoc is coined from the first letters of versatile, economical, durable, organic, and colorful.

### Night Sea Flying



Night operation of commercial sea-planes will be permitted if the Civil Aeronautics Board approves floating marker-lights developed by the Westinghouse Electric & Manufacturing Co. Riding 32 in. above the water, the fluorescent lamp unit is set in a rubber buoy which is three feet in diameter. The unit is self-contained and will burn for 200 hours. The light, deflected through prismatic lenses, gives the illusion of being stationary, even though it is bobbing up and down.

### Non-Magnetic Steel

WHEN a piece of ordinary steel and a piece of Jessop Non-Magnetic Steel are both placed in a magnetic field, as in the accompanying picture, the contrast between the two materials is made clear. The Jessop product doesn't attract iron



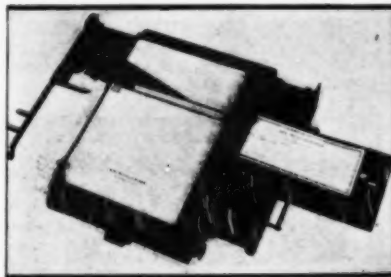
filings. This new product of Jessop Steel Co., 511 Green St., Washington, Pa., has a tensile strength of 80,000-110,000 p.s.i., can be blanked, formed, molded, or machined. In addition to its practical lack of magnetic permeability, it has high electrical resistance.

### Carpet Lights

AMPLIFYING its line of ultra violet units for lighting fluorescent materials (*BW—Jun 29 '40, p. 36*), Continental Lithograph Corp., 72nd St. at St. Clair Ave., Cleveland, is bringing out special Conti-Glo Black Light Units for illuminating fluorescent carpets in theater aisles, restaurants, and other locations.

### Payroll Poster

WITH THE NEW Todd Form-Master, some special forms, and a pencil, payroll entries can be made at speeds of from 100 to 160 checks per hour. As developed by The Todd Co., Rochester, N. Y., the device holds the forms in accurate alignment for the recording of complete pay-



roll records, including all deductions necessary for social security and other government reports.

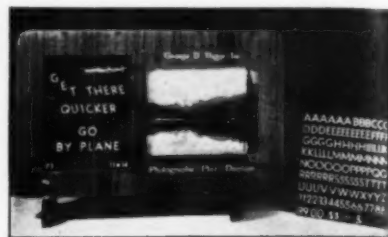
### "Third Dimensional Dials"

BY THE INGENUOUS expedient of imprinting letters, numerals, and designs on both sides of the glass or other transparent

material used in dials for radios, automobiles, clocks, etc., an extra-legible third-dimensional effect is secured. Crowe Name Plate & Mfg. Co., 3701 Ravenswood Ave., Chicago, has patented the process, is making Crowe Third Dimensional Dials complete with metal escutcheons or without.

### Magnetic Display

IT IS EASY to change the photograph and the advertising message in the new Biggs Photographic Plak Display developed by George B. Biggs, Inc., 427 Bloomfield



Ave., Montclair, N. J. Each plastic letter is held on an enameled steel surface by tiny inbuilt magnets; the photograph is slipped in from the rear.

### Streamlined Duplicator

RESTYLED for the modern office by Barnes & Reinecke, Chicago industrial designers, the Heyer Lettergraph Duplicator is the newest product of Heyer Corp., 911 W. Jackson Blvd., Chicago.



Mechanical improvements include oil-less bronze bearings, automatic feeding, automatic inking and counting.

### Improved Connectors

A PATENTED inspection hole, which has been added to the improved Electroline-Fiege Wire Rope Connectors, provides a view at all times of condition of the individual wire strands within the joint. Electroline Co., 4121 S. La Salle St., Chicago, produces them in many sizes with open ends, eye ends, or stud ends, and in the form of couplings, turnbuckles, and choker slings.

## LABOR AND MANAGEMENT

## Flare-Up at Boeing

Government officials swing rapidly into action to avert threat to defense production.

WITH A TEN-DAY TRUCE set to end at midnight Aug. 10, the dispute between the Boeing Aircraft Co. and A.F.L.'s International Association of Machinists, which threatened to halt production at the Seattle plant, home of the flying fortress and four-motored stratoliner, still was unresolved.

The point at issue seemed clear: pay rates for newly hired labor, with the company maintaining that its 55¢ per hour scale was four and five cents above comparable wages in other major aircraft plants. The union's position, stoutly held since an old contract expired July 1, was that the 55¢ rate represented a cut of 7½¢ from a former minimum of 62½¢ an hour. Other differences either had been settled by this week or promised no great difficulty. Union and management minds had met on such things as wage increases for upper-bracket skilled employees, Saturday pay rates, wage schedules for inspectors and production office workers, and the matter of vacations. But the dispute over what was to be paid to new hands kept negotiators far apart and made 6,700 workers impatient to strike.

## Washington Urges Compromise

To effect a settlement that would keep Boeing at work turning out planes for American defense needs, the government was playing every card. Immediately the dispute looked dangerous, federal conciliators began to shuttle back and forth between the I.A.M. office in Washington and Seattle. Harvey W. Brown, machinists' president and member of Sidney Hillman's Labor Policy Advisory Committee under the Defense Commission, flew to the coast to plead with his members for time, and urge the company to compromise.

On Aug. 1, workers left their jobs, closing the big plant down as they marched to a mass meeting, apparently ready to make the tieup official by a strike vote. That was at 6 p.m. While they were in session, a telegram came from Secretary of Labor Perkins appealing for a stay. Disgruntled, but willing to give the government one more try, they voted a ten-day postponement of strike action.

Thus it was the A.F.L., inclined to be ignored in the aircraft industry in the light of the widely publicized C.I.O. campaign, which was giving defense commissioners a headache, and putting to a real test the conciliation machinery aimed at keeping labor trouble from interrupting defense production.



DUREZ RESINS are used with great success and economy in shop coats for steel work. These finishes also have many outdoor metal applications.

## ASSERTING OUR INDEPENDENCE

As a result of the war in Asia, this country's paint industry has suffered an acute shortage of China Wood and Perilla oils used in the manufacture of high grade finishes. It has been necessary to turn to domestic oils which are fundamentally far less suited to this purpose.

But American ingenuity has turned this threat into a challenge. Tireless research by Durez has produced synthetic resins which have enabled our paint industry to become virtually independent of foreign oil supplies. Now, thanks to these remarkable resins, paint manufacturers are able to produce high quality finishes of all types—many at lower cost than before—using domestic oils!

As one of the country's leading

DUREZ RESINS have long enjoyed an enviable record in the automotive industry for producing lustrous fender dipping enamels that really can "take it."



(Photograph courtesy of M. and M. Wood Working Co.) DUREZ RESINS are now being used more and more extensively in household enamels where their superiority is being strikingly demonstrated.

manufacturers of synthetic resins, Durez is proud to have played a pioneer part in this move which has brought us further industrial freedom. Today, many of the finest paints and varnishes produced in America are formulated with Durez resins!

DUREZ PLASTICS & CHEMICALS, INC.  
648 WALCK ROAD  
NORTH TONAWANDA, N. Y.

**DUREZ PLASTICS & CHEMICALS, INC.**

Plastics That Fit The Job



## Bethlehem Under Fire

**C.I.O. men in mills and shipyards will ask government to cancel contracts with company.**

THE SPECTACLE of workmen and their representatives demanding that the company which employs them be deprived of a large share of its business will be presented in full view when C.I.O. unions whose members are employed in Bethlehem mills and shipyards convene in Bethlehem, Pa., on Aug. 11.

The conference is scheduled as a follow-up of the recent John L. Lewis demand that the government cancel its contracts with Bethlehem because of its alleged failure to obey the Wagner Labor Act and Walsh-Healey Law.

Three hundred delegates are expected to attend from Bethlehem mills and shipyards at Rankin, Leetsdale, Williamsport, Lebanon, Pottstown, Steelton, Coatesville, Johnstown and Bethlehem, Pa., Lackawanna, N. Y., Sparrows Point, Md., Quincy, Mass., and New York harbor. Pacific coast mills and yards will also be represented.

The Steel Workers' Organizing Committee, to whom Bethlehem is the largest steel company still operating on an open shop basis, has been pushing its unionizing campaign for four years. Despite the union's successes elsewhere, and despite orders against Bethlehem from the National Labor Relations Board, the

S.W.O.C. has yet to get Bethlehem's officials to initial a union contract (*BW—May 18 '40, p. 31*). The new strategy calls for pressure in Washington to cut off government orders, supplemented by more vigorous membership campaigning in the field.

### Shipyard Complaint

The Industrial Union of Marine and Shipbuilding Workers, which has local affiliates in Bethlehem shipyards, has another kind of grievance against the company. The shipyard workers have had a contract but are dissatisfied with Bethlehem's wage rates. Involved currently in a wage dispute at the company's Sparrows Point yards, they maintain that the standard first class mechanic's pay is 75¢ per hour at Bethlehem as compared with 96¢ at Sun Shipbuilding and \$1 at Federal's yards. They further charge that Bethlehem's bonus system is less liberal than that of its competitors and that it is so embroidered with qualification that employees are completely mystified.

The union's present negotiations have been stymied by the company's unwillingness to grant pay boosts at this time, and the impasse is receiving the attention of the Department of Labor's Conciliation Service and Sidney Hillman's division of the Defense Commission.

Shipyard unionists will participate in any move designed to make the company more amenable to union demands. A strike authorization has already been voted at Sparrows Point.

## Bridges Bluff Called

**San Francisco Employers Council compels him to adhere to warehousemen's contract.**

THE SAN FRANCISCO Employers Council, supercharged, streamlined boss union, last week wrote "closed" on its Lyons-Magnus file and registered another setback for the "take-over-everything-in-sight" expansionism of Harry Bridges' Longshore and Warehouse union.

Lyons-Magnus is a glacé fruit preserving firm which was struck by the Bridges organization July 1 in an attempt to have the company break its contract with the A.F.L. Bakery and Confectionery Workers' Union, whose members were employed in the production department of the company. Bridges called out warehouse workers covered by a city-wide master warehousemen's contract which forbade striking. Operating on the principle that contracts, once arrived at between management and labor, must be observed, the Employers Council stepped in to make an issue of the L-M case.

### Arbitration Accepted

Bridges retaliated by threatening to call out all of San Francisco's warehousemen and to abrogate the master contract. The Employers Council got its lines ready for a showdown, prepared to call the Bridges bluff. Bridges backed down, accepted arbitration of the Lyons-Mag-

## Outside and Inside the Convention Hall



Some of the delegates to the C.I.O. United Automobile Workers' convention in St. Louis last week took a busman's holiday and joined a picket line in front of the Century Electric Co., where fellow C.I.O. members were demanding a wage increase. Before the afternoon was over, 15 demonstrating delegates were jailed for disorderly conduct. Inside the convention hall, the dele-

gates were even noisier when they welcomed John L. Lewis with an ear-splitting, 38-minute demonstration. Four days later, when they endorsed President Roosevelt for a third-term, they were careful to make explicit their loyalty to the C.I.O. chief with a resolution that declared, "Let Lewis run the C.I.O. and Roosevelt run the United States."

pus dispute, kept the warehousemen at work.

Like the Euclid Candy Co. case (BW—June 10, p. 40), Lyons-Magnus represents a victory for the Council idea of dealing with unions but making them responsible for strict contract observance.

## May Enforce Awards

**California ruling says teeth may be put in arbitration decisions by court action.**

IMPORTANT especially because of its application to the troubled waterfront labor situation on the West Coast where employers are attempting to force maintenance of contracts is the ruling last month by the California supreme court that an arbitration award made pursuant to a collective bargaining agreement may be enforced by the courts.

Case involved a dispute between the International Ladies' Garment Workers' Union and the David Shann Corp., Los Angeles women's wear manufacturer. It reached the supreme court on the union's application for a writ of mandate to compel the Los Angeles superior court to enforce an arbitration award. The lower court had held it was without jurisdiction because of statutory provisions, but the higher court reversed the ruling.

Negotiators for the union and the company entered a collective bargaining agreement last November. Subsequently, the company was held guilty of discriminating against union members in an award by Arbitrator Anthony G. O'Rourke. Both the California State Federation of Labor (A.F.L.) and the Los Angeles Industrial Union Council (C.I.O.) filed briefs in the case as friends of the court. They supported the union's stand.

The Los Angeles court held it was deprived of jurisdiction by a civil code provision stating that an arbitration award incident to a contract "pertaining to labor" is not enforceable by court action. This phrase, the supreme court held, referred to personal service contracts and not to collective bargaining agreements.

## For Defense Labor Unity

THE JOB of maintaining peace between the Congress of Industrial Organizations and the American Federation of Labor insofar as the national defense program is concerned has been entrusted to four men. These umpires, appointed by Sidney Hillman to function as a subcommittee of his Labor Policy Advisory Committee (page 19) are Van A. Bittner and Emil Rieve of C.I.O., H. W. Brown and George Q. Lynch of A.F.L. Able men and congenial to one another, they are expected to go as far as their organizations will let them in unifying the labor movement.

PAIRED WITH THE *Leaders* FOR STEAM ECONOMY

*Table Sugar*

by

**SPRECKELS**

A top-rank name  
in sugar manufacture



*Steam Source*

by

**COMBUSTION  
ENGINEERING**

Pace-Setter  
In Steam Generation



From breakfast coffee to late-evening dessert, the "sweet tooth" of America calls for sugar . . . the one energy food that all of us find palatable without urging. And among those who are meeting America's demand for sugar at a price so low that no household need skimp on the supply, the Spreckels Sugar Company has taken a leading place.

Here, again, we find that those known for top-rank standards in manufacture are sure to demand top-rank standards in what they buy, particularly in the choice of so vital a production facility as the steam generating plant.

In the modern Spreckels plant at Woodland, California, there are two COMBUSTION ENGINEERING boiler plant units in service, each with a capacity of 100,000 lb of steam per hr. Installed in 1937, these units have themselves set top-rank operating standards in meeting steam demands dependably and at low operating costs.

Just as Spreckels stands out in sugar, so COMBUSTION ENGINEERING moves continually to higher standards of efficiency in steam generation. Whatever your own steam demands, whether they involve boilers rated as low as 30 hp or units with a capacity of more than 1,000,000 lb of steam per hr, you will find C-E ready to plan an installation to your exact needs—one that reflects "leadership" standards in design, construction and performance and can be relied upon for the utmost economy of steam generation.

**COMBUSTION  
ENGINEERING**

200 Madison Avenue, New York, N.Y.

A-556

C-E PRODUCTS INCLUDE ALL TYPES OF  BOILERS, FURNACES, PULVERIZED FUEL SYSTEMS, AND STOKERS; ALSO SUPERHEATERS, ECONOMIZERS AND AIR HEATERS



## Okay, UNCLE SAM!



**National Defense?**  
We're willing to help. But, more important, we're ready to help. For many months a program of modernization has been under way on the Erie. New rolling stock has been added. New rails laid. Freight handling equipment has been modernized. Freight handling methods streamlined. And the program continues—for our aim is ever-better service.

Man and machine, we are ready to do our part in the National Defense Program. We are ready at all times to provide safe, dependable, on-time service to shippers both large and small.



## Interstate or Intrastate? Dealers Must Find Out

**AUTOMOBILE DEALERS BALANCE SHEET FOR DETERMINATION OF COVERAGE UNDER THE FAIR LABOR STANDARDS ACT**

WHOLESALE TRANSACTIONS DOLLAR VALUE FROM DEC. 31 TO JUNE 30, OR JULY 1 TO DEC. 30 WHICHEVER IS LAST PERIOD		RETAIL TRANSACTIONS DOLLAR VALUE FROM DEC. 31 TO JUNE 30, OR JULY 1 TO DEC. 30 WHICHEVER IS LAST PERIOD	
TRANSACTIONS WITH BUSINESS & INDUSTRIAL ESTABLISHMENTS, FLEET ACCOUNTS, BUS LINES, ETC.		TRANSACTIONS WITH INDIVIDUAL OWNERS	
SALES OF PASSENGER CARS	SALES OF PASSENGER CARS	NEW	USED
SALES OF PARTS & ACCESSORIES	SALES OF PARTS & ACCESSORIES	NEW	USED
SALES OF TIRES	SALES OF TIRES	NEW	USED
SALES OF SERVICES	SALES OF SERVICES	NEW	USED
SALES OF TRUCKS	SALES OF TRUCKS	NEW	USED
MISCELLANEOUS TRANSACTIONS	MISCELLANEOUS TRANSACTIONS	NEW	USED
TOTAL DOLLAR VALUE	TOTAL DOLLAR VALUE	NEW	USED

*IF ANY OF THE TRANSACTIONS ON THIS SIDE ARE CARRIED ON IN A DEPARTMENT WHICH IS CLEARLY WHOLESALE (LIKE A PARTS DISTRIBUTION DEPT.) CHASE EMPLOYEES THEREOF MUST BE DISBURSED ON PAYROLL, AND ARE COVERED BY THE ACT THAT IS*

*IF ANY OF THE TRANSACTIONS ON THIS SIDE ARE RECORDED FROM THE RETAIL AND THE EMPLOYEES EMPLOYED ON PAYROLL, THE DOLLAR VALUE OF THESE TRANSACTIONS MUST BE ADDED INTO THE TOTAL ON THIS SIDE, BUT NOT BE OMITTED FROM THIS BALANCE SHEET*

*IF ANY OF THE TRANSACTIONS ON THIS SIDE ARE RECORDED FROM THE RETAIL AND THE EMPLOYEES EMPLOYED ON PAYROLL, THE DOLLAR VALUE OF THESE TRANSACTIONS MUST BE ADDED INTO THE TOTAL ON THIS SIDE, BUT NOT BE OMITTED FROM THIS BALANCE SHEET*

**PREPARED AS A GUIDE FOR AUTOMOBILE DEALERS**  
MADE AND KEPT ON HAND  
U. S. DEPT. OF LABOR  
1-1-40

What is the status of employees of automobile dealers under the Wage-Hour Law? Are some of them exempt—and, if so, which ones? How may a dealer determine the extent of his liability? To help dealers answer these and a host of other questions, the National Automobile Dealers Association, in cooperation with the Wage-

Hour Administration, has worked out this form. Complex as it may appear, it is designed to clarify the dealer's position under the law. One by-product of the sales inventory it requires may well be a reorientation of many a dealer's promotion effort as he learns how much of his business comes from what sources.

## Earn-Learn Contract

IN A NEW CONTRACT, signed last week between the A. O. Smith Company of Milwaukee and eight A.F.L. unions representing its 4,600 employees, the company agreed to train workers for better skilled jobs at management expense. Classes will be set up in the plant outside of working hours and employees will be paid for attending. The new plan, which the Defense Advisory Commission is expected to indorse heartily, will assure the company a reserve of practically trained craftsmen, and thus help to prevent skilled-labor bottlenecks.

## Bans "False" Picketing

A SAN FRANCISCO employer caught in the crossfire of a C.I.O.-A.F.L. jurisdictional dispute was extricated last week by the local superior court in a decision which holds that picketing, undertaken to force a break in contractual relations between an employer and union, is illegal.

The case involved the C.I.O. United Automobile Workers' Union, which had picketed as "unfair" a local gasoline service station holding a contract with an A.F.L. organization.

In issuing a temporary restraining order, Judge Sylvain J. Lazarus ruled that peaceful picketing "as a symbolic method of free speech has now received universal sanction of courts" but approval hasn't been given "to the shocking doctrine that . . . picketing carries with it the license to disseminate untrue statements or false impressions" which injure an employer's business.

## Clause Protects Draftees

ONE OF THE KNOTTIEST problems presented by draft legislation is the question of reemploying draftees after their period of service. However, for 25 years, there has been a provision in the laws of the International Typographical Union covering just this contingency. This provision, which has been a standard clause in printing trades labor contracts, is being studied by many labor unions.

Set forth as Section 7 of Article X, the I.T.U. work rule says:

"In cases where members are admitted as residents of the Union Printers Home, or who enlist for active service in the regular Army or Navy in time of war, or enlist for active service in the Army



or Navy of any country that may be allied with the United States in a war for a common cause, or members of the National Guard, or Canadian militia who may be ordered to war, or those who may actively engage in war work for the American Red Cross, Red Cross societies of the allies, Knights of Columbus, the Salvation Army, the Young Men's Christian Association, or any recognized organization of a similar character, their situations shall be filled by the foremen: Provided, that upon again reporting for duty the situations formerly held by these members shall be restored to them."

### Rulings on Labor Laws

A CIRCUIT COURT OF APPEALS held in the Montgomery Ward case that the Wage-Hour Administrator may inspect a company's employment records at his dis-

cretion. . . . THE W-H DIVISION in a special bulletin last week clarified its opinion of the wholesale-retail definition of the business done by lumber dealers and reported that in a one-month drive for compliance back wages of more than \$815,000 will be paid to lumber workers. . . . IN A SPECIAL petition last week, the Textile Workers Union (C.I.O.) asked the W-H administrator to appoint a new industry committee for textiles with a view to raising the minimum wage to 40¢ (it now is 32½¢). . . . THE LABOR BOARD's authority to determine the appropriate grouping of workers into a unit for collective bargaining (Pittsburgh Plate Glass Case) was upheld in Circuit Court.

### Storm Center



Armed

LAST WEEK, Edmund Toland (standing), counsel for the House committee investigating the National Labor Relations Board, took David Saposs (seated) over the hurdles again. As director of NLRB's old Division of Economic Research, Saposs earlier this spring was a target for the committee, which accused him of radicalism. As a result, when the House acted on NLRB's appropriation, all funds for his division were eliminated. But Saposs and all but nine of his staff stayed with the board as members of a new Technical Services Division. This week, the investigators charged the board with evading the plain intent of Congress, a charge that the board denied by pointing out that Congress did not specifically prohibit use of funds for the valuable services rendered by Saposs and his assistants.

## UNITED AIR LINES Speeds up Maintenance Schedules with BAKER TRUCKS



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③ Engine hoisted to exact position and fastened to mounting ring. Total elapsed time only 26½ minutes.

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### From Inspection Bracket to Exact Position in 26½ Minutes

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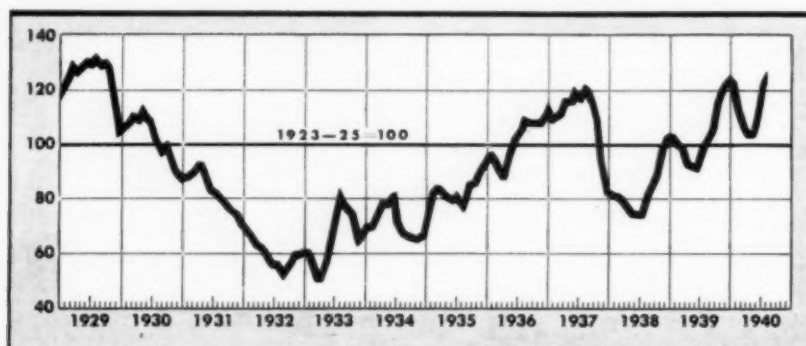
Vertical boring 48" to 16' Diameter; horizontal boring mills all sizes; lathes 24" to 72" swing up to 60' bed; planers open-side all sizes; double housing from 48" up. Rolls 20" to 35". Radial Drills 4" and larger; shapers; milling machine all sizes; plain, universal and vertical. Vertical turret lathes with side head; large automatics; turret lathes over 1½" hole capacity; grinders up to 220" roll, and many others.

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## Monthly Index at 11-Year High



*Business Week's Monthly Index of Business Activity for July broke through the December, 1939 peak of 125.5 to record a new post-1929 high of 127.2. This is only 4.7% below the all-time high of 133.5 reached in July, 1929. Revised index for June, 1940, is 123.3; July, 1939, was 102.1.*

## I.B.A. Redoubles Securities Fight

**Groundwork laid for enlistment of entire financial community in efforts to modify laws next session to insure freer flow of capital to industry.**

INFLUENTIAL MEMBERS of the Investment Bankers Association of America are positively committed to carrying on with the present management — a management which has espoused the last-ditch fight for modification of securities laws in order to insure a freer flow of capital to industry. This was demonstrated a few weeks ago when the nominating committee broke a tradition of a quarter century's standing by nominating the incumbent to succeed himself as president; it was further emphasized by the committee's announcement of its vice-presidential choices this week.

Heading the "official" slate is Emmett F. Connely, a Detroitier, who was elected president at the I.B.A. at the annual convention at Del Monte, Cal., last October. More recently, however, Mr. Connely has taken on duties more exacting than those entailed by the presidency. He has become the full-time chairman of the Public Information Committee, steering group in the campaign for modification of the federal securities statutes. To take on these duties, he has taken leave of absence from the First of Michigan

Corporation, of which he was president.

The men chosen for the five vice-presidencies have been serving as Mr. Connely's "cabinet" in carrying forward the so-called public information campaign. Three of them—Paul H. Davis of Chicago, Edward H. Hilliard of Louisville, and Joseph P. Ripley of New York—will be up for reelection. The two nominated for the first time are John S. Fleek of Cleveland and John O. Stubbs of Boston.

Indicative of their part in the aggressive program are some of their recent activities. Mr. Hilliard and Mr. Ripley were members of the special committee that planned and launched the public information program. Mr. Fleek and Mr. Stubbs are members of the committee responsible for its operation. Mr. Davis was chairman of the national committee to which was given the job of raising the money necessary to carry it out.

## Aim at Cooperative Effort

Retention of Mr. Davis on the committee will have a subsidiary advantage. He long has been a prominent out-of-town member of the New York Stock

Exchange, he is now one of the governors, and he was on the committee which chose William McC. Martin, Jr., as the first paid president of the Big Board.

At the present time there is a concerted effort being made to get the entire financial community to join hands in carefully studying the securities laws and in drawing up recommendations to make them more workable. In this, necessarily, the New York Exchange must take a prominent part, and it would appear that Mr. Davis is in an ideal position to keep the I.B.A. and the Big Board pulling together in the program.

The reason such a cooperative effort has not been undertaken in the past is clear enough. The interests of the over-the-counter dealers and the underwriters, and the stock exchange people simply have not been the same. Each group and sub-group had its own batch of ideas on how federal regulation should be modified; there had seemed to be no particular reason why these independent viewpoints shouldn't be sponsored severally.

## Each Has Vital Problems

The investment bankers, for example, have had particular fault to find with the SEC's ruling on "arm's-length bargaining" which was promulgated under the Public Utility Act of 1935 and with the 90-day "quarantine" which new issues must undergo before public offering (neither of which is a major problem to the stock exchanges).

The stock exchanges, on the other hand, have been vitally interested in such things as the prohibition on trading by "insiders" whose in-and-out-of-the-market activities entail heavy penalties. In a market break like that of last May the Big Board people are convinced the officers and directors of corporations should be allowed to help support prices without being obligated to retain the stocks purchased for any protracted period.

In other words, when business is good and profits are encouraging, a break like the one this spring has a large element of panic in it. Present markets are so thin that public participation can't be relied upon as a cushion for prices. The burden is thrown directly on the man who happens to be specialist in any given stock, and that man has only his more or less limited personal capital with which to carry the load. If the stock exchange authorities could go to corporate management in time of emergency, with consent of the SEC, to solicit aid in maintaining



J. O. Stubbs

J. P. Ripley

E. F. Connely

P. H. Davis

E. H. Hilliard

J. S. Fleek

an orderly market, it should have an important influence. And it is implicit in all these discussions that the rules should not be so relaxed that the famous "pools" of the 1920's can come back to circumvent federal regulation.

In matters like broker-dealer segregation, long sponsored by the SEC, the exchanges and the underwriters have more in common. The over-the-counter dealers, even though they have been working under what amounts to a separate law for just a few days over a year, also have many problems that are interrelated with those of the investment bankers. The many rules surrounding the distribution of new issues of securities are typical of the matters of mutual interest.

This citation of laws and rules arising under such laws which might be changed is not presented with a view to its being inclusive, but rather to indicate the character of the problem. It has been generally agreed that no comprehensive effort at a general overhauling of these statutes can be brought before Congress until 1941. Meanwhile, the financial community is pleased to note that the agreement reached by the I.B.A. representatives with the SEC about modification of the 20-day quarantine rule already has been introduced with high hopes of passage before adjournment.

## COMMODITIES

### Sugar Hits New Low

**Collapse of world market drags U. S. prices below the all-time bottom of 1932.**

SUGAR, as you no doubt recall, was supposed to be a war baby. And this week the world price fell to the lowest point recorded since trading was instituted on the New York Coffee and Sugar Exchange some three years ago.

This world price represents an international appraisal, through the medium of futures traded in New York, or what raw sugar is worth on the dock in Cuba. At the outbreak of the war it shot up on the assumption that much of Europe's sugar beet crop would be ruined. For a while, Cuban sugar commanded about \$15 a cwt. But Nazi conquest and the blockade have eliminated one customer after another, while British rationing has further reduced the market, and this week the price had backed down to about 88 a cwt.

Cuba is capable of producing pretty close to 6,000,000 tons of sugar a year but output for a long time has been held down to around 3,000,000 due to lack of sales outlets. Of that, the United States normally takes roughly two-thirds, and the United Kingdom is the second largest customer, taking about one-fifth.

If the United States could increase its

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takings of Cuban sugar, it might help make up for the lost markets in Europe. However, the quota system in this country freezes the amount that the island is permitted to supply in order to protect domestic producers. The result is that buying interest in Cuba's surplus has dwindled almost to the vanishing point and a small amount of selling readily depresses the world market price.

The quota system sets the United States market on a plateau protected by

the tariff of \$1.87½ a cwt. (Cuba enjoys a preferential tariff of 90¢.) Nevertheless, a decline in the world price exerts a distinctly negative influence on prices in this country. The result has been another outbreak of cut-throat competition among refiners, particularly in the South, in the last couple of weeks. In fact, prices quoted (after deduction of the processing tax of 53½¢ a cwt. and 2% discount for cash) were lower than the all-time bottom in 1932—and Louisiana

cane growers are wearing Willkie buttons. Meanwhile, Congress is still wrangling over the sugar quota system. The House passed the Cummings bill, which would extend the quota provisions, due to expire the end of this year, through 1941. In the Senate, where votes of the beet and cane sugar states weigh more heavily than in the lower chamber, opposition still is apparent. With revenue matters to the fore, the Senate Finance Committee announced that it was postponing consid-

## Sharpshooters and the Dow Theory

LAST WEEK'S bullish market "signal" (BW—Aug. 3 '40, p. 41) wasn't enough to shake stocks out of their mid-summer lethargy. The chart readers did a lot of talking about the fact that the price averages on July 30 had broken out of the upper limit of the recent trading range, but they didn't seem confident enough to buy as a consequence. All of which recalls some Wall Street gossip which will bear explanation.

To start with, market analysts know how the various chart-reading systems work and particularly how the Dow theory calculations are made. They are well aware that the Dow-Jones industrial share average on which most Dow theorists primarily rely, is composed of only 30 stocks, and that's a pretty narrow segment of the stock list. In these days of dull, thin markets it is naturally assumed that a little well-placed buying or selling could fairly easily move this average somewhat artificially.

With that in mind, many wonder if a few big speculators couldn't goose the averages through a critical resist-

ance point. On several occasions in the last 18 months there have been a lot of people convinced that this very thing has been done. The idea, presumably, was to impel the Dow theorists either to buy or sell, depending on the character of the signal. Thereupon the sharpshooters were supposed to have been provided either with a strong market upon which to liquidate holdings or a weak one in which to buy some cheap stocks.

### Break-Through Starts Fuss

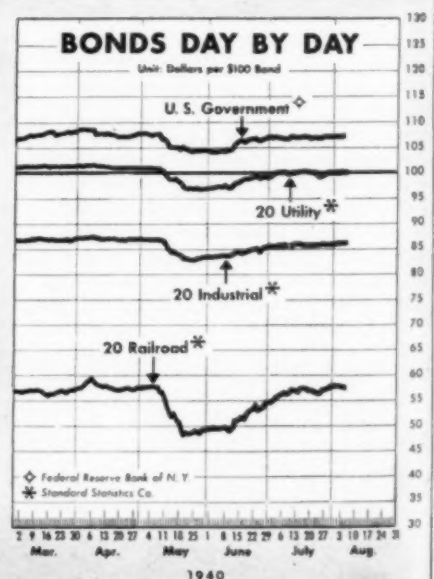
It wasn't so long ago that the averages broke a resistance point on the down side, precipitating heavy selling. At once Wall Street buzzed with rumors that big traders had sold at the psychological moment to cause the break-through. It kicked up enough fuss so that there was a momentary threat of a Congressional investigation.

Nobody yet has proved that this sort of sharpshooting goes on. Nevertheless, it would not be surprising if the mere talk had made the Dow

theorists a bit cautious. That may be part of the reason why last week's bull signal wasn't followed through with any vigor.

Yet there certainly were other reasons. For one thing, trading on the day of the break-through totaled only 673,620 shares on the New York Stock Exchange. That was a big day by contrast with average daily volume of only a little over 260,000 shares daily for July, but it still was not enough of a turnover to convince traders that a major swing was getting started.

In addition, laggard commodity markets have exercised a restraining influence on stocks. Stock market operators reason that business is certainly active now but if industry isn't bidding for raw materials the majority of corporation executives can't have too much confidence. And corporation executives, beset by the amortization and tax wrangles in Washington, take a look at stocks and reason: "Well, if Wall Street hasn't any more confidence than shows in the market, we had better play things safe."



eration of the bill for an indefinite time.

The cane sugar refining industry in continental United States has been up against its usual fight over the quotas of Hawaii and Puerto Rico. The islands, being part of the United States, insist they should be permitted to ship their entire quota in the form of refined sugar. This was headed off when the 1937 law was passed. Puerto Rico in 1939, for example, was given a total quota of 806,642 tons (March revision) of which only 126,093 was to be refined. Hawaii's total was 948,218 tons with only 29,616 to be in refined form.

This limitation on refined sugar expired the end of last February, and Puerto Rico since that time has been shipping much more than its usual allotment in the form of refined sugar. Whether or not this has been a factor in the weakness of the refined sugar market in this country is now a subject of lively argument in the trade.

The sugar bill, now awaiting a Senate vote, would reimpose the limitations on the amount of refined sugar which can come in from the islands. It would not, however, penalize Puerto Rico for current overshipments of refined sugar.

### Cocoa Bothers Brazil

**BIGGEST HEADACHE** of Brazil long has been the coffee surplus, and it was just about enough pain for any one government. However, the disruption of European markets for other commodities has caught Brazil along with everybody else, and a new problem has arisen in cocoa.

Marketers in Brazil started offering cocoa at discounts in relation to New York prices (*BW—Jul 27 '40, p. 42*). The result was a steady decline which carried the quotation in this country down to about 4¢ a lb., the lowest in years. And Brazil decided exports would have to be controlled. The result is virtually a licensing system to make sure that there is a regular flow of exports and that everyone will not be trying to sell at once.

### P.S.

**NOT LONG AGO** the United States found Canada, as England's main pork supplier, an excellent market for hogs. Now Canada's storage stocks have built up to an all-time high and Chicago packers are wondering if the flow will be reversed. . . . War's FREAKISH effects on markets again are emphasized with reports that corn from the Argentine has been sold to a Boston feed manufacturer to the tune of 40,000 bu. . . . **HAVING BOUGHT OUT** the Argentine, England is ordering wheat from Canada. That's the meaning of the bid for 100,000,000 bu., to be filled in new crop futures. Canada's 1940 harvest is now put at about 425,000,000 bu. and its carryover of 1939 grain at some 250,000,000 bu.

## BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

### Far East May Reshape World Trade

**Economic realignment that would result from Japanese seizure of Dutch islands is real cause for concern, rather than any direct loss which U. S. might suffer.**

A SHOWDOWN is imminent in the Far East. Japan has virtually taken over French Indo-China and is already threatening to move into the rich Dutch East Indies. Britain is too much occupied at home to be able to send additional ships and men to Singapore to oppose whatever moves Tokyo may make. The United States has practically its entire fleet in the Pacific, but it is doubtful if Washington would risk a war in the Pacific while the fate of Britain is still hanging fire. The Nipponese are playing a temporary advantage for all it is worth.

What is the United States' real interest in the Dutch East Indies? Are their raw materials indispensable to us? How far are we likely to go to maintain the status quo in the islands?

The nearest thing to an official statement of policy that has come out of Washington was made by Secretary of

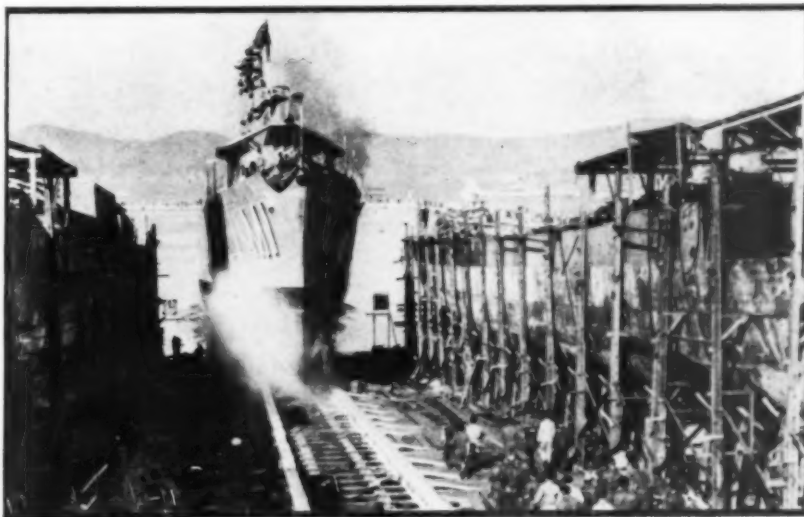
State Hull on April 17 when he declared:

"Any change in the status of the Netherlands Indies would directly affect the interests of many countries. The islands produce considerable portions of the world's supplies of essential commodities, such as rubber, tin, quinine, and copra. Intervention in the domestic affairs of the Netherlands Indies or any alteration of their status by other than peaceful processes would be prejudicial to the cause of stability, peace, and security not only in the region of the Netherlands Indies but in the entire Pacific area."

### May Menace Philippines

Secretary Hull has never amplified this statement but business and political leaders know that we buy nothing in the Dutch East Indies that we could

### The Brazilian Navy Is Growing Up



Heas from H. B. Syndicate

**Latin America and the United States** agreed in Havana that the Western Hemisphere must be kept free of foreign domination. One way to do it is to have big armies and navies. Last year, Brazil was making deals with Italy and the U. S. for naval

vessels; now she's launching her own home-built destroyers. Last month, the "Marcilio Dias" slid down the ways of the Arsenal Da Marinha, Guanabara Bay. On the ways of either side, are two more five-gun, 1,500-ton ships almost completed.

## Our Stake in Netherlands India

(All Figures for 1939)

### What We Buy from the Dutch East Indies

Product	Value (000 dollars)	Quantity (000,000 lbs.)	Per cent of total U. S. consumption of each com- modity	Per cent of total Indies exports of each com- modity
Rubber	47,012.2	290.14	28.5	43
Latex	5,097.5	30.10	48.7	86
Tobacco	3,076.7	2.01	81.6	25
Coffee, raw, green	650.0	7.07	2.1	8
Tin	6,460.7*	11.91	9.1	50
Kapok	2,055.8	8,237†	88.0	45
Tapioca	4,897.1	354.54	88.8	62
Sago	243.3	18.88	83.4	33
Sisal	2,896.2	37,209‡	33.5	43
Pepper	3,132.5	73.66	96.0	37
Tea	5,709.1	28.28	27.1	19
Goat and kid skins	665.3	1.84	4.4	76
Damar	434.7	7.38	54.6	42
Copal	726.6	14.9	64.9	42
Cinchona	851.4	1.98*	99.4	24
Nutmeg	280.1	2.50	50.9	34
Citronella	452.1	1.94	54.7	35
Rattan	233.5	4.62	87.8	20
Palm oil	5,187.5	236.96	83.2	45
Mace	233.0	0.67	85.8	45
Pandan hats	143.4	9.29‡	52.7	61
Gambier	275.4	3.78	72.1	27
Cloves	99.0	0.54	14.6	45
Cinnamon	8.4	0.07	4.6	50
Derris root	38.2	0.26	12.2	42

\* In whole or in part shipped via the Netherlands.

† In tons.

‡ In 000,000 pieces.

### What We Sell to the Dutch East Indies

Product	Value (000 dollars)	Per cent total of U. S. exports of product	Per cent of total U. S. ex- ports of each commodity	Per cent of total Indies imports of each com- modity
Fertilizers and materials	634.2	1.8	3.7	5
Petroleum products	2,337.7	6.6	0.6	30
Automobiles and parts	2,227.0	6.3	0.9	48
Steel mill manufactures	2,001.3	5.7	3.0	12
Tobacco and manufactures	714.5	2.0	0.9	13
Rubber manufactures	395.7	1.1	1.0	15
Naval stores, gums, resins	398.3	1.1	2.6	100
Iron and steel semimanu- factures	2,260.1	6.4	1.3	12
Iron and steel advanced manu- factures	598.6	1.7	1.2	—
Industrial machinery	6,577.2	18.5	2.3	—
Electrical machinery and ap- paratus	1,188.9	3.3	1.1	—
Industrial chemicals	1,191.3	3.4	3.3	14
Photographic and projection goods	206.3	0.6	1.1	—
Paper manufactures	927.7	2.6	2.9	11
Chemical specialties	512.9	1.4	1.4	28
Aircraft and parts	6,248.7	17.7	5.3	76
Firearms and ammunition	512.2	1.4	10.2	17

Data: Far Eastern Survey

not secure in some other tropical country, and that all our business with these Dutch islands is relatively an insignificant portion of our total foreign trade. The real issue is whether or not Japan will confine its aggression to the Indies. Washington fears that a Nipponese victory in the Indies can be accomplished only with the conquest of neighboring British territory as well. This would mean a real threat to the Philippines, to our supplies of at least two strategic raw materials—tin and rubber—to our freedom to trade, except on Japan's terms, with a market which would extend from Tokyo to Batavia and includes a popula-

tion of at least 550,000,000, and to our whole defense program in the Pacific.

The detailed tables on this page show exactly our economic dependence on the Dutch East Indies. While 96% of our pepper and 99% of our quinine (cinchona) come from the East Indies, both could be grown in tropical Latin America. Quinine actually originated in Peru and was transferred to the Indies by some shrewd Dutchman who organized today's world monopoly of the business. The same thing is true of rubber, though time and large-scale planning would be required to develop production of either cinchona or rubber in this hemisphere

sufficiently to meet our large demand.

The East Indies are an almost insignificant market for American goods (see table) and United States investments in the islands—mostly in oil and rubber—amount to far less than 1% of our total foreign investments.

What is important is the shift in world trade which would follow any transfer of control of the Dutch East Indies or neighboring regions in south-eastern Asia. If Japan takes over, Tokyo will ultimately vie with London as the rubber and tin capital of the world. Unquestionably the Nipponese would make desperate efforts to fill their cotton needs in New Guinea, where they already have huge experimental plantations. Australia with its huge supplies of wool would be only a stone's throw away. The Indies alone could fill all of Japan's petroleum needs, and there are known to be fairly important coal, iron, bauxite, gold, and diamond resources—none of which has yet been extensively exploited.

These are the real factors behind the tension in the Far East.

## Moscow Transport Jam

### Improvements effected by Metro subway are nullified by deterioration of auto transportation.

Moscow (Business Week Bureau)—In spite of what the Metro, Moscow's new subway, has done to relieve pressure from surface transportation facilities, such gains as have been made are almost nullified by the inefficiency and bad organization which reigns in Moscow's general transportation administration. The auto transport system, for example, has deteriorated steadily, as the following table, taken from an unusually frank article in the newspaper *Pravda*, indicates:

	1937	1938	1939
<b>Buses</b>			
No. on hand	772	1,002	1,197
% operating	76.6	63.2	50.7
<b>Taxis</b>			
No. on hand	910	2,441	3,297
% operating	89.2	68.5	48.3
<b>Trucks</b>			
No. on hand	1,665	2,441	3,297
% operating	50.4	35.3	32.8

During these same years the work done by each machine also suffered a decrease. In 1937, one bus carried an average of 290,600 passengers. In 1938, this figure had fallen to 241,500, and by 1939 had dropped to 178,300.

The reasons for this sharp decline in efficiency are not hard to find. Basically the trouble lies in faulty organization. Hundreds of trucks and buses were left standing out in open lots in -40° F. weather for months at a time because of failure to provide proper garage facilities. Others were immobilized by lack of tires. And still others were laid up frequently because of the very poor quality of the repair work done in maintenance shops. *Pravda* cites some comparative figures to prove this point: In the United States



in 1938 the average bus ran 22,000 km. between repairs; in Moscow the figure was only 500 km. Not only are the Russian repairs of poor quality, but they require an inordinate length of time—five or six times as long as they would in the United States.

## U. S. and Soviet Sign

**But new trade pact fails to end machine tool impasse and other complications.**

ON AUG. 6, less than 24 hours after the year-old Soviet-American trade agreement had expired, Russian and United States officials announced that a new agreement had been signed, to run for another year.

But Americans who are familiar with the complications which have developed in the business relations between Washington and Moscow during the last few months know that there are other problems which must be settled before the renewed pact can function smoothly and to the greatest benefit of both parties.

In the booming period of the first two Five-Year Plans, Russians ordered as much as \$100,000,000 of American machinery and tractors a year, kept many a depression-hit factory open through bleak 1930 and 1931.

In recent years, Soviet-American com-

merce has been regulated by a trade agreement, running from August to August, in which Moscow guaranteed to buy at least \$40,000,000 of American goods in return for most-favored-nation treatment of Soviet imports into the United States. Actually, Soviet orders in this country under these trade terms averaged well above \$75,000,000 a year until the war made deliveries risky and Washington's moral embargoes following the Finnish campaign cut in on the business.

It is in the machine tool business, faced now with juicy government orders connected with the \$10,000,000,000 defense program and hence less interested in Soviet orders than formerly, that difficulties have arisen.

### Navy to the Rescue

Nearly \$25,000,000 of machine tools were on order in this country for Russia when the Navy Department, a few weeks ago, insisted that all export shipments be halted. Crated machines were hauled out of the holds of freighters in New York and Los Angeles, and held on piers. Ostensibly the machines were needed in navy yards which are working day and night on the new \$4,000,000,000 program to give the United States a two-ocean fleet.

In a few days, machines consigned to Russia and valued at more than \$3,000,000 piled up on already crowded piers. Doughty little Constantine Oumansky,

Soviet ambassador to Washington, protested to the State Department that the machines were all bought under the terms of the trade pact, that they had been paid for, and that Russia had taken title to them when they were inspected for export. The State Department was sorry, but could not override a Navy ruling.

### Both Sides Caught

By last week, American manufacturers had plunged into the controversy. Huge machines for Moscow have been completed and are cluttering up the overcrowded floors of machine tool factories. Russia refuses to accept them for delivery because they will be held up at the docks unless the present attitude changes. Until delivered to the dockside, the machine tool people receive no final payment, for practically every contract calls for payment of the last instalment after presentation of shipping documents.

Defense Commission authorities in Washington attempted to untie the knot a few days ago. They called authorities of the Amtorg Trading Corp., official Soviet buying agency in this country, to Washington and offered to negotiate: if Amtorg would release certain key machines to the Navy, Washington would promptly provide export permits for the balance. To date, the Russians are still holding out for "all or nothing."

Opinion in the machine tool industry is divided. Some relative newcomers are inclined to throw all Soviet business overboard on the basis that terms of the contracts are often over-exacting, and that for many years there will be plenty of more desirable orders at home if the government carries out the defense program which already has taken on \$10,000,000,000 proportions.

### Insurance Against the Reich

Old timers with memories of war booms and postwar slumps, and particularly of the days a decade ago when Soviet orders were as welcome as an ice cream cone to a small boy, are reluctant to incur Soviet ill will. They know that Germany is eagerly waiting for just such an opportunity to snatch this country's Soviet business. Some of them even believe that the continued delivery of American machines to Russia now is a kind of insurance against the future: the stronger the Soviet Union is internally, the less likely either Germany or Japan is to come adventuring in the Western Hemisphere.

Though the trade agreement has been renewed for another year, Soviet-American business will not run smoothly until the remaining difficulties are finally ironed out.

All last autumn, Russia was placing orders here at the rate of \$12,000,000 a month. During the first six months of this year, new business barely reached \$20,000,000. July orders are said to have dropped below \$1,000,000.

## A Visitor from Overseas



International

WHEN THE British flying boat Clare glided to a night-landing at La Guardia Field, N. Y., this week, it was the end of the first transatlantic passenger flight from England since British Imperial Airways discontinued its service last Oct. 3. Atlantic Airways, Ltd.—subsidiary of the government-owned British Overseas Airways—now says regular runs from Poole, England, to New York will be resumed. On the trip over, strict wartime secrecy was the rule—departure time was not made public, the

plane's radios were turned off until the plane was out of the "danger zone," a convoy of fighter planes accompanied the Clare part of the way. When she landed, the Clare followed maritime procedure and hoisted the American flag at her "bow" to show that she was anchored in an American port. The same day the Britisher arrived in New York, Pan American Airways also passed a milestone: One of its planes completed P.A.A.'s 200th roundtrip New York-Lisbon.

## Business Week Advertisers in This Issue

August 10, 1940

THE ADDRESSOGRAPH-MULTIGRAPH CORP.	9
Agency—REINCKE-ELLIS-YOUNGREN & FINN, INC.	
AMPCO METAL, INC.	32
Agency—KLAC-VAN PETERSON-DENLAF ASSOCIATES, INC.	
ATCHISON, TOPEKA & SANTA FE RAILWAY	23
Agency—STACE-GOBLE ADVERTISING AGENCY	
BAKER INDUSTRIAL TRUCK DIVISION OF THE BAKER HAULING CO.	47
Agency—G. M. BARFORD CO.	
EDWARD G. BUDD MANUFACTURING CO.	28 & 29
Agency—N. W. AYER & SON, INC.	
BURROUGHS ADDING MACHINE CO.	21
Agency—CAMPBELL-EWALD CO., INC.	
THE PHILIP CAREY CO.	26
Agency—THE S. C. BARR CO.	
CARRIER CORP.	35
Agency—CHAR. DALLAS REACH CO.	
CENTURY ELECTRIC CO.	5
Agency—DARLEIGH R. FRENCH & ASSOCIATES	
CLARAGE FAN CO.	10
Agency—W. J. WILLIAMS ADVERTISING AGENCY	
COCA COLA CO.	3rd Cover
Agency—D'ARCY ADVERTISING CO., INC.	
COMBUSTION ENGINEERING CO., INC.	45
Agency—G. M. BARFORD CO.	
COMMONWEALTH OF PENNSYLVANIA	41
Agency—KETCHUM, MACLEOD & GROVE, INC.	
CONNECTICUT GENERAL LIFE INSURANCE CO.	49
Agency—EDWARD W. ROBOHAM & CO.	
HENRY DISSTON & SONS, INC.	33
Agency—DONOVAN-ARMSTRONG	
DUREZ PLASTICS & CHEMICALS, INC.	43
Agency—J. M. MATHER, INC.	
ELECTRIC CONTROLLER MANUFACTURING CO.	40
Agency—THE HAYLESS-KERR CO.	
ERIE RAILROAD COMPANY	46
Agency—THE GRISWOLD-EHLEMAN CO.	
FORD MOTOR CO.	37
Agency—N. W. AYER & SON, INC.	
GENERAL ELECTRIC CO.	12
Agency—LEIGHTON & NELSON	
THE B. F. GOODRICH CO.	1
Agency—THE GRISWOLD-EHLEMAN CO.	
HARTFORD STEAM BOILER INSPECTION & INS. CO.	2
Agency—N. W. AYER & SON, INC.	
INTERNATIONAL BUSINESS MACHINES CORP.	38
Agency—CROIL & PRESBURY, INC.	
KEASBEY & MATTISON CO.	8
Agency—GEARE-MARSTON, INC.	
KIMBERLY-CLARK CORP.	8
Agency—LORD & THOMAS	
KOPPERS CO.	4th Cover
Agency—KETCHUM, MACLEOD & GROVE, INC.	
PARK-SHERMAN CO.	55
Agency—MARVIN GREEN, INC.	
PATERSON PARCHMENT PAPER CO.	4
Agency—PLATT-FORBER, INC.	
PORTLAND CEMENT ASSOCIATION	39
Agency—ROCHE, WILLIAMS & CUNNINGHAM, INC.	
THE SATURDAY EVENING POST	3
Agency—BATTEN, BARTON, DURSTINE & OSBORN, INC.	
UNITED GAS PIPE LINE COMPANY	31
Agency—ROSELL & JACOBS, INC.	
WARNER & SWASEY CO.	2nd Cover
Agency—THE GRISWOLD-EHLEMAN CO.	
WESTINGHOUSE ELECTRIC & MFG. CO.	27
Agency—FILLER & SMITH & BROS., INC.	
YORK ICE MACHINERY CORP.	25
Agency—J. M. MATHER, INC.	

## British Push Conservation

BRITONS are tightening their belts in the face of impending invasion. Arrant wastefulness is considered as reprehensible as appeasement. Under new regulations, the salvage of tins, paper, bones, etc., from refuse dumps in all cities having populations of 10,000 or more has been made compulsory.

That measures of this sort can result in substantial savings is shown by an item in *The Economist* (London) describing the results of a comparable German war-economy measure. By omitting the openers on sardine tins, the Germans effected a saving of 2,000 tons of steel. An anticipated saving of 3,000 tons will result from the prohibition of handles on metal marmalade containers. Other conservation measures undertaken by the Reich include the replacement of tinplate by sheet iron, treated with a special lacquer, for the canning of foods, and the packaging of motor oil in paper bottles.

Although the Germans have had more experience in mass savings of this sort,

Britons are rapidly learning to do without the unnecessary, and to do the necessary with the minimum of waste.

## Plane Service—for Publicity

LORD BEAVERBROOK'S PLAN to fly aluminum from the United States to Britain is a publicity stunt intended to impress Britons and Americans alike with England's desperate need for this vital material, for the Consolidated seaplane (the same type that will be flown by the American Export Lines on their proposed service across the South Atlantic) which has just been purchased from Richard Archbold of New York, is capable of carrying only 3½ tons of aluminum per trip. The plane, which will take off from New York and fly the northern route to Ireland, will be able to make semi-weekly crossings.

This service is not to be confused with the new transatlantic airmail service which was established by Britain's Atlantic Airways last week with the arrival of the flying boat *Clare* in New York on Aug. 4.

## BRIEFED FROM THE CABLES

**BERLIN (Cable)**—The armament industries are operating at top speed, despite the masses of supplies which were captured in Flanders, and there is an apparently insatiable demand for additional workers in industries throughout the Reich.

More than 300,000 Polish prisoners have not yet been freed, though Warsaw capitulated more than 10 months ago, and they are being used to gather the German harvests. Of 350,000 prisoners brought into Germany from the West, nearly half have been drafted into industry and the remainder sent to farm districts.

Either Berlin expects the British campaign to be a long one, or there are other plans to be carried out "after Britain."

**LONDON (Cable)**—Despite the emergency, London is being compelled to shorten working hours for factory workers, some of whom have been working as many as 80 hours a week—particularly in the munitions industries. The abnormally long hours were introduced immediately after the German invasion of the Low Countries. Workers, tempted by time-and-a-half pay for overtime, jumped at the opportunity to boost their earnings.

The plan has boomeranged, however, for the excessive overtime has caused worker fatigue (*BW*—Jul 27 '40, p. 50) and lowered morale to such an extent that it has caused a serious decrease in factory output in the last two weeks. New plans call for a maximum work week of 56 hours. Production can be maintained at recent high levels only if the government's new training centers are able to turn out 400,000 newly trained workers a year, compared with the recent limit of not more than 100,000 annually.

**BUENOS AIRES (Business Week Bureau)**—German drug manufacturers in the Argen-

tine have been carrying on despite the effectiveness of Britain's blockade. Before the commencement of hostilities, German drug houses had built up large supplies of raw materials and later on these stocks were supplemented by purchases coming through Italy. But for several months most of the raw chemicals imported by these houses have come from the United States. As a result, the Germans have been able to nullify the effects of the blockade and have had no difficulty in filling all their orders.

Distributing firms, no longer able to obtain finished drugs from Germany, have taken over American lines and are thus enabled to maintain customer contacts. That they will return to German goods as soon as they are again available, letting the American lines lapse, is not doubted in view of what is known concerning Nazi tactics in South America in the past.

**BERLIN (Cable)**—There is an obvious effort on the part of business and government leaders this week to tone down Dr. Funk's recent threats to demonetize gold.

Sober critics are quietly pointing out that Germany will need cotton and copper from the Americas if they are to carry out their dreams of exploiting world markets as soon as the war is over. Hitler has plans for making Berlin the financial capital of Europe. In Holland, Belgium, and France he has gained potential control over important stocks of gold and large holdings of United States securities.

The Nazis are obviously maneuvering themselves into a strategic bargaining position. If they can get their hands on the gold and American securities in newly-occupied territories, they will be in a strong position to bargain for a dollar-mark stabilization agreement. If they cannot, Berlin will fall back on the threat to demonetize.

## THE TRADING POST

### "Save Up to 50% . . ."

I HAVE a letter from the head of one of the best-known dealers in sporting-goods in the East. He makes his point so forcefully that I'll let you have it just as he puts it:

"How far is the discount evil to be carried before something is done about it?"

"A salesman representing one of the largest and best known manufacturers had occasion to call at one of these 'three floors up and save 50%' establishments recently, and he found a rush of trade with a number of clerks busy writing orders for customers who were practically waiting in line.

"One customer was ordering every item she needed for the equipment of a small hotel. Bedding, furniture, crockery, rugs, curtains, the whole equipment from cellar to attic—every item purchased from sample or catalog description. Not a hundred dollars worth of stock was carried, with the attendant investment and other expense.

"The order when taken is sent direct to some supply house or manufacturer who shoulders all of the detail and financing of the sale. The point is that he fills such orders and then frequently solicits the patronage of legitimate dealers, having connived in sidetracking blank dollars of sales away from them.

"An advertisement in a well-known magazine reads, 'save up to 50% on your sporting goods at Blanks.' Blanks' stock one box of each kind of golf balls, one set of golf clubs, etc., but they will sell any one who takes the trouble to call at the office, where there is desk room and little else, a set of nationally-known matched clubs at 25% or 30% off the list price. The trade discount on these sets is 40%.

"Such cases could be cited without end in all big cities, and the gross sales for the year run into billions of dollars according to one article on the subject.

"There is only one way to stop such practices and the power rests with the manufacturers who wink at them; the sooner they act, the better for legitimate dealers and for the public as well.

"The manufacturers give as their reason that if they don't do it some competitor will. This would seem to be a spineless attitude to take in view of the havoc that is being done to the trade of dealers, upon whom they rely to place advance stock orders, advertise and display their product, assume the expense of adequate quarters with experienced help, and pay their bills when due.

"In the sporting goods industry, where this evil is most pronounced and growing in volume, the practice could be stopped at once by a small group of outstanding

manufacturers acting in concert and saying 'No.' Their product cannot be sold by the discount-desk-room agencies without the permission of these manufacturers and the second- and third-flight manufacturers cannot offer products that are of equal quality and merit or so well-known and so much in demand.

"In these days of dog-eat-dog commercially, the sporting goods industry is changing rapidly because of the evils of price-cutting. It cries aloud for the manufacturers to stop fighting each other for volume without profit and do business on a constructive business basis.

"It is a fact that the manufacturers realize the serious condition and are looking for a remedy. Who will be the St. George of the sporting goods industry and win loyalty for their product as well as honor for their name by doing something definite and constructive?"

"The solution rests on saying one word 'No'—and meaning it."

### For Banking Research

RECENTLY I had something to say on this page about the importance to industry of scientific and technical research. Now a reader invites my attention to the need for research elsewhere.

He is a banker who feels the need for some thoroughgoing research in the field of banking and finance.

After giving due credit to the work of the A.B.A., the Reserve City Bankers' Association, special committees that work under the auspices of certain state associations, and a number of colleges and universities, he still feels that there is need for some one agency to coordinate the work already under way and to extend its benefits to many more of the sixteen thousand banks in the country.

Among the problems that demand attention, he cites the development of new types of loans—particularly long-term; new developments in the field of mortgage and agricultural credits; sound segregation of assets to support different types of deposits; banks and the investment trust function; relationship between savings and commercial banks; types of commercial loans that are going to be required in the future; consumer financing, and many others.

All of which brings home to us once again that American businessmen, regardless of their field, are making business management into a profession. And this means, among other things, that they are keen to learn all they can about all the influences that govern their operations, thus moving business still farther from the area of speculation into that of scientific planning and management.

W.T.C.



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# BUSINESS WEEK

*With Which Is Combined The Magazine of Business*

August 10, 1940

## What Price Business?

EVER since the middle of June the stock market has been whispering over and over again: "Don't believe it, don't put any trust in this business rise."

For ever since the middle of June stock prices have more or less stood still and the volume of trading has dropped to the lowest level since 1918. Clearly, this is not the stuff of which bull markets are made. Surely, this is no way for a market to act when the United States has launched a vast new industry—national defense—and when the BUSINESS WEEK Index is at its highest point since 1929.

But despite all statistical and political evidence, the stock market says it ain't so. Today, business activity is at an extremely low cash value in the open market. A given volume of turnover is worth less than at any time since 1929—less even than in June, 1932, at the bottom of the long depression (chart, page 13). Indeed, it's necessary to back up to 1923 to find a period in which speculators placed a more miserly cash value on business.

A good case can be made out for this low rating of common stocks. For many years now corporations have been working harder to earn less. Costs have been rising and tax rates have been taking a larger share of gross income. Today it takes a much higher level of business activity to produce a profit than in the '20s. Take for instance 1934. In that year, the BUSINESS WEEK Index averaged 73.6, and after taxes all corporations realized a net loss of \$500,000,000. But during 1921 and 1922 when the Index averaged 73.1—or less than in 1934—earnings after taxes amounted to \$1,900,000,000! Thus, on approximately the same level of business activity, corporations were \$2,400,000,000 worse off in 1934 than they were in 1921-22. Nor is that an isolated example, as can be shown:

	1935	1922	1936	1923	1937	1926-27**
Business Week Index...	85.7	82.6	104.7	99.4	111.7	111.5
Income, All Corp.*....	\$1.0	\$4.0	\$3.2	\$5.4	\$3.1	\$5.8

\* After taxes—in billions of dollars. \*\* Average.

What this means—quite plainly—is that corporations nowadays are translating a much smaller proportion of business activity to net income than they used to. And what is more, with an excess profits tax in the offing, the trend away from profits is bound to become more emphatic. As a rough example: In 1937 all corporations were only \$2,700,000,000 worse off than in the 1926-27 period with the BUSINESS WEEK Index averaging 111 in both periods.

But in 1940, on the same level of activity, they probably would be \$3,300,000,000 worse off. Because of higher taxes, earnings, instead of being \$5,800,000,000 as in '26-7, or \$3,100,000,000 as in '37, would in all probability be down to \$2,500,000,000.

Hence, the stock market's low evaluation of business activity. For what good is business activity if it doesn't produce profits? And the stock market, likewise, holds profits, themselves, in low esteem. Today, though dividend yields are unusually high, bond yields are virtually at their all-time lows.

THAT's because some people right now don't want common stocks at any price. One group of Wall Street analysts takes the view that the world is in the middle of a revolutionary phase, that the war is only the prelude to a major change in social and economic institutions, that private property—as we know it—is undergoing a radical metamorphosis. And so they suggest to their clients that it's better to hold cash than common stocks. All of which sounds reasonable. But if that explains low stock prices, it certainly does not explain high corporate bond prices. Bonds, after all, are a form of private property, whose chief advantage over common stocks is that they have a cushion of earnings—the earnings that apply to the common stocks. Yet if the earnings on the common are suspect, then this cushion of protection itself is of dubious value.

Probably there is no clear-cut single explanation of the wayward performance of the stock market. It reflects the many fears of many men—that this country may get into the war, that Britain may lose, that taxes will rise, that a revolution is in process. But one thing we can be sure the market is saying: That corporate earnings are going to come harder than they used to. On that we can take the market at its word, because there is supporting evidence!

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